



KINAXIS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

DATED: November 6, 2014

Unless the context requires otherwise, all references in this management's discussion and analysis (the "MD&A") to "Kinaxis", "we", "us", "our" and the "Company" refer to Kinaxis Inc. and its subsidiaries as constituted on September 30, 2014.

This MD&A for the three and nine month periods ended September 30, 2014 and 2013 should be read in conjunction with our interim consolidated financial statements and the related notes thereto for the three and nine month periods ended September 30, 2014 and 2013 and our annual consolidated financial statements as at and for the year ended December 31, 2013. The financial information presented in this MD&A is derived from our interim consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A contains forward-looking statements that involve risks, uncertainties and assumptions, including statements regarding anticipated developments in future financial periods and our future plans and objectives. There can be no assurance that such information will prove to be accurate, and readers are cautioned not to place undue reliance on such forward-looking statements. See "Forward-Looking Statements".

All references to \$ or dollar amounts in this MD&A are to U.S. currency unless otherwise indicated.

Forward-Looking Statements

This MD&A contains forward-looking statements that relate to our current expectations and views of future events. In some cases, these forward-looking statements can be identified by words or phrases such as "may", "will", "expect", "anticipate", "aim", "estimate", "intend", "plan", "seek", "believe", "potential", "continue", "is/are likely to" or the negative of these terms, or other similar expressions intended to identify forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- our expectations regarding our revenue, expenses and operations;
- our anticipated cash needs;
- our ability to protect, maintain and enforce our intellectual property rights;
- third-party claims of infringement or violation of, or other conflicts with, intellectual property rights by us;
- our plans for and timing of expansion of our solutions and services;
- our future growth plans;
- the acceptance by our customers and the marketplace of new technologies and solutions;
- our ability to attract new customers and develop and maintain existing customers;
- our ability to attract and retain personnel;
- our expectations with respect to advancement in our technologies;
- our competitive position and our expectations regarding competition;
- regulatory developments and the regulatory environments in which we operate; and
- anticipated trends and challenges in our business and the markets in which we operate.

Forward-looking statements are based on certain assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments and other factors we believe are appropriate. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect. Forward-looking statements are also subject to risks and uncertainties. In light of these risks, uncertainties and assumptions, any investors or users of this document should not place undue reliance on forward-looking statements. Whether actual results, performance or achievements will conform to our expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors which include:

- risks related to managing our growth
- our dependence on customer retention and renewals
- our long sales cycles
- our reliance on recurring revenue
- fluctuations in quarterly operating results
- exchange rate fluctuations
- risks related to expanding our marketing and sales
- risks related to our ability to maintain the compatibility of our solutions with third-party applications
- risks related to our ability to adapt to rapid technological change
- risks related to our ability to meet our contractual commitments
- risks related to global economic conditions
- risks related to the security of customer information
- risks related to the protection of our intellectual property
- risks related to the complexity of our solutions
- competition in our industry and markets
- our reliance on key personnel
- risks related to our ability to continue to develop our direct sales force
- our reliance on third-party service providers
- the possibility of product defects
- risks related to international expansion

Although the forward-looking statements contained in this MD&A are based upon what our management believes are reasonable assumptions, these risks, uncertainties, assumptions and other factors could cause our actual results, performance, achievements and experience to differ materially from our expectations, future results, performances or achievements expressed or implied by the forward-looking statements.

The forward-looking statements made in this MD&A relate only to events or information as of the date on which the statements are made in this MD&A and are expressly qualified in their entirety by this cautionary statement. Except as required by law, we do not assume any obligation to update or revise any forward-looking statements, whether as a result of new information, future event or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

An investor should read this MD&A with the understanding that our actual future results may be materially different from what we expect.

Overview

We are a leading provider of cloud-based subscription software that enables our customers to improve and accelerate analysis and decision-making across their supply chain operations. Our RapidResponse product provides supply chain planning and analytics capabilities that create the foundation for managing multiple, interconnected supply chain management processes, including demand planning, supply planning, inventory management, order fulfillment and capacity planning. Our professional services team supports deployment of RapidResponse in new customers and assists existing customers in fully leveraging the benefits of the product.

Our target market is large enterprises that have significant unresolved supply chain challenges. We believe this market is growing as a result of a number of factors, including increased complexity and globalization of supply chains, outsourcing, a diversity of data sources and systems, and competitive pressures on our customers.

We have established a strong track record of cash flow generation and revenue and earnings growth over the past four years. Our annual revenue has grown at a compound annual growth rate (CAGR) of 26% for the three years ending December 31, 2013. This growth is driven both by contracts with new customers and expansion of our solution and service engagements within our existing customer base.

Our customers are generally large national or multinational enterprises with complex supply chain requirements. We target multiple industry verticals including high technology and electronics manufacturing, aerospace and defense, industrial products, life sciences and pharmaceuticals, consumer packaged goods, and most recently, the automotive sector.

We sell our product using a subscription-based model. Our agreements with customers are typically two to five years in length. Our subscription fee generally depends on the size of our customer, the number of applications deployed, the number of users and the number of manufacturing, distribution and inventory sites our product is required to model. Average annual contract value fluctuates from period to period depending on the size of new customers and the extent to which we are successful in expanding adoption of our products by existing customers.

For the nine months ended September 30, 2014, our ten largest customers accounted for approximately 38% of our total revenues with no one customer accounting for greater than 10% of total revenues.

Increasing revenues through new customer wins is one of our highest organizational priorities. Our sales cycle can be lengthy, as we generally target very large organizations with significant internal processes for adoption of new systems. We currently pursue a revenue growth model that includes both direct sales through our internal sales force, as well as indirect sales through channels including resellers and other partners.

Due to the growth in the market and increasing need for solutions, competition in the industry from new entrants and larger incumbent vendors will increase. In addition to this increased competitive pressure, changes in the global economy may have an impact on the timing and ability of these enterprises to make buying decisions which can have an impact on our performance.

We are headquartered in Ottawa, Ontario. We have subsidiaries located in the United States, the Netherlands and Hong Kong and a subsidiary and satellite office in Tokyo, Japan. We continue to expand our operations internationally. In the year ended December 31, 2013, 85% of our revenues derived from North America and our remaining revenues derived from outside North America, principally from Japan and Europe.

Key Performance Indicators

Key performance indicators that we use to manage our business and evaluate our financial results and operating performance include: total revenue, total new customers, incremental subscription revenue and bookings, net revenue retention, secured subscription backlog, operating expenses, Adjusted EBITDA (as defined below) and cash flow from operations. We evaluate our performance by comparing our actual results to budgets, forecasts and prior period results.

Net revenue retention

Our subscription customers generally enter into two to five year agreements, paid annually in advance, for use of our solution. Subscription agreements are subject to price increases upon renewal reflecting both inflationary increases and the additional value provided by our solutions. In addition to the expected increase in subscription revenue from price increases over time, existing customers may subscribe for additional applications, users or sites during the term.

Our subscription model results in a high proportion of recurring revenue, which we define as subscription revenue plus maintenance & support revenue (see "Significant Factors Affecting Results of Operations – Revenue"). The power of the subscription model is only fully realized when a vendor has high retention rates. High customer retention rates generate a long customer lifetime and a very high lifetime value of the customer. Our net revenue retention rates are over 100%, which includes sales of additional applications, users and sites to existing customers.

The recurring nature of our revenue provides high visibility into future performance, and upfront payments result in cash flow generation in advance of revenue recognition. Typically, more than 80% of our annual subscription revenue is recognized from customers that were in place at the beginning of the year (excluding the effect of renewals) and this continues to be our target model going forward. However, this also means that agreements with new customers or agreements with existing customers purchasing additional applications, users or sites in a quarter may not contribute significantly to current quarter revenue. As an example, a new customer who enters into an agreement on the last day of a quarter will have no impact on the revenue recognized in that quarter.

Significant Factors Affecting Results of Operations

Our results of operations are influenced by a variety of factors, including:

Revenue

Our revenue consists of subscription fees, professional service fees and maintenance and support fees. Subscription revenue is comprised of fixed term fees for licensed on-premise use of RapidResponse or fees for provision as software as a service ("SaaS") in a hosted/cloud environment.

Subscription revenue includes maintenance and support for the solution for the term of the contract as well as hosting services when provided under a SaaS arrangement.

Professional services revenue is comprised of fees charged to assist organizations to implement and integrate our solution and train their staff to use and deploy our solution. Professional service engagements are contracted on a time and materials basis including billable travel expenses and are billed and recognized as revenue as the service is delivered.

Maintenance & support revenue relates to fees for maintenance and support for certain legacy customers who licensed our software on a perpetual basis prior to our conversion to a SaaS model in 2005. Over time, this revenue stream is expected to decline as more customers eventually convert to the more comprehensive, subscription based service or customers choose to let their support contracts lapse.

Cost of revenue

Cost of revenue consists of personnel, travel and other overhead costs related to implementation teams supporting initial deployments, training services and subsequent stand-alone engagements for additional services. Cost of revenue also includes personnel and overhead costs associated with our customer support team, the cost of

our data centre facilities where we physically host our on-demand solution and network connectivity costs for the provisioning of hosting services under SaaS arrangements.

Sales and marketing expenses

Sales and marketing expenses consist primarily of personnel and related costs for our sales and marketing teams, including salaries and benefits, commissions earned by sales personnel and trade show and promotional marketing costs.

We plan to continue to invest in sales and marketing by expanding our domestic and international selling and marketing activities, building brand awareness and sponsoring additional marketing events. We expect that in the future, sales and marketing expenses will continue to increase.

Research and development expenses

Research and development expenses consist primarily of personnel and related costs for the teams responsible for the ongoing research, development and product management of RapidResponse. These expenses are recorded net of any applicable scientific research and experimental development investment tax credits (“**investment tax credits**”) earned for expenses incurred in Canada against eligible projects. As a Canadian controlled private corporation, a portion of these tax credits were refundable. As a public company, tax credits are no longer refundable and we only record the tax credit to the extent there is reasonable assurance we will be able to use the investment tax credits to reduce current or future tax liabilities. As the Company has an established history of profits, we do expect to realize the benefit of these tax credits in the near term. Further, we anticipate that spending on R&D will also be higher in absolute dollars as we expand our research and development and product management teams.

General and administrative expenses

General and administrative expenses consist primarily of personnel and related costs associated with administrative functions of the business including finance, human resources and internal IT support, as well as legal, accounting and other professional fees. We expect that, in the future, general and administrative expenses will increase in absolute dollars as we invest in our infrastructure and we incur additional employee-related costs and professional fees related to the growth of our business and international expansion, including associated public company costs.

Foreign exchange

Our presentation and functional currency with the exception of our subsidiaries in Japan (Japanese Yen) and the Netherlands (Euro) is U.S. dollars. We derive most of our revenue in U.S. dollars. Our head office and a significant portion of our employees are located in Ottawa, Canada, and as such a significant amount of our expenses are incurred in Canadian dollars.

Loss due to change in fair value of redeemable preferred shares

We have recorded significant losses related to changes in the fair value of the redeemable preferred share liability. Immediately prior to the completion of our initial public offering, all of our redeemable preferred shares were converted on a one-to-one basis to Common Shares and the liability was reduced to \$Nil with a corresponding increase in share capital. In addition, the accumulated deficit of \$41 million generated by the losses related to the changes in the fair value of the redeemable preferred shares that were converted to Common Shares was reclassified from deficit to share capital. In future periods, there will be no further impact on our results of operations from the redeemable preferred shares.

Results of Operations

The following table sets forth a summary of our results of operations for the three and nine months ended September 30, 2014 and 2013:

	Three months ended September 30,		Nine months ended September 30	
	2014	2013	2014	2013
(In thousands of U.S. dollars, except earnings (loss) per share)				
Statement of Operations				
Revenue	\$ 17,681	\$ 15,451	\$ 51,234	\$ 44,497
Cost of revenue	4,855	4,556	15,312	13,413
Gross profit	12,826	10,895	35,922	31,084
Operating expenses	8,697	6,868	26,276	21,823
	4,129	4,027	9,646	9,261
Loss due to change in fair value of redeemable preferred shares	—	(5,683)	(6,760)	(15,219)
Foreign exchange (loss) gain	(262)	103	(134)	(160)
Net finance income (expense)	3	16	(507)	44
Profit (Loss) before income taxes	3,870	(1,537)	2,245	(6,074)
Income tax expense	1,358	1,244	3,050	2,806
Profit (Loss)	\$ 2,512	\$ (2,781)	\$ (805)	\$ (8,880)
Adjusted profit ⁽¹⁾	\$ 3,306	\$ 3,106	\$ 7,768	\$ 6,997
Adjusted EBITDA ⁽¹⁾	\$ 5,240	\$ 4,440	\$ 12,276	\$ 10,535
Basic earnings (loss) per share	\$ 0.11	\$ (0.16)	\$ (0.05)	\$ (0.53)
Diluted earnings (loss) per share	\$ 0.10	\$ (0.16)	\$ (0.05)	\$ (0.53)
Adjusted diluted earnings per share ⁽¹⁾	\$ 0.13	\$ 0.11	\$ 0.35	\$ 0.26

	As at September 30, 2014	As at December 31, 2013
(In thousands of U.S. dollars)		
Total assets	\$ 81,794	\$ 41,472
Deferred revenue	32,283	24,700
Redeemable preferred shares	—	54,135
Other non-current liabilities	120	20,988

(1) See “ Non-IFRS Measurements” below.

Non-IFRS Measurements

We use Adjusted profit and Adjusted diluted earnings per share, which remove the impact of our redeemable preferred shares and stock option plans, to measure our performance as these measures align our results and improve comparability against our peers. We use Adjusted EBITDA to provide investors with a supplemental measure of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. We believe that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess our ability to meet our capital expenditure and working capital requirements.

Adjusted profit, Adjusted diluted earnings per share and Adjusted EBITDA are not recognized, defined or standardized measures under IFRS. Our definition of Adjusted profit, Adjusted EBITDA and Adjusted diluted

earnings per share will likely differ from that used by other companies and therefore comparability may be limited. Readers should also note that we have changed the composition of Adjusted EBITDA compared to previously disclosed Adjusted EBITDA, in order to better reflect the definition used by securities analysts. Adjusted EBITDA now includes a foreign exchange adjustment which is reflected in the "Foreign exchange loss (gain)" line item in the table below. Adjusted profit, Adjusted EBITDA and Adjusted diluted earnings per share should not be considered a substitute for or in isolation from measures prepared in accordance with IFRS. Investors are encouraged to review our financial statements and disclosures in their entirety and are cautioned not to put undue reliance on non-IFRS measures and view them in conjunction with the most comparable IFRS financial measures. We have reconciled Adjusted profit and Adjusted EBITDA to the most comparable IFRS financial measure as follows:

	Three months ended September 30,		Nine months ended September 30	
	2014	2013	2014	2013
	(In thousands of U.S. dollars)			
Profit (Loss).....	\$ 2,512	\$ (2,781)	\$ (805)	\$ (8,880)
Loss due to change in fair value of redeemable preferred shares.....	–	5,683	6,760	15,219
Share-based compensation.....	794	204	1,813	658
	794	5,887	8,573	15,877
Adjusted profit.....	\$ 3,306	\$ 3,106	\$ 7,768	\$ 6,997
Income tax expense.....	1,358	1,244	3,050	2,806
Depreciation.....	317	209	817	616
Foreign exchange loss (gain).....	262	(103)	134	160
Net finance (income) expense.....	(3)	(16)	507	(44)
	1,934	1,334	4,508	3,538
Adjusted EBITDA.....	\$ 5,240	\$ 4,440	\$ 12,276	\$ 10,535

Revenue

The following table displays the breakdown of our revenue according to revenue type:

	Three months ended September 30,		2013 to 2014	Nine months ended September 30,		2013 to 2014
	2014	2013	%	2014	2013	%
	(In thousands of U.S. dollars, except percentages)					
Revenue						
Subscription.....	\$ 13,302	\$ 10,149	31%	\$ 37,267	\$ 29,113	28%
Professional services.....	4,081	4,934	(17%)	13,061	14,102	(7%)
Maintenance & Support.....	298	368	(19%)	906	1,282	(29%)
Total revenue.....	17,681	15,451	14%	51,234	44,497	15%

Total revenue for the third quarter of 2014 was \$17.7 million or an increase of 14% compared to the same period in 2013. For the nine months ended September 30, 2014 total revenue was \$51.2 million compared to \$44.5 million for the same period in 2013, representing an increase of 15%.

Subscription revenue for the three months ended September 30, 2014 was \$13.3 million, up from \$10.1 million for the same period in 2013, for an increase of 31% or \$3.2 million. For the year to date, subscription revenue was \$37.3 million or 28% higher than the same year to date period in 2013. The increase in subscription revenue is due to revenue from contracts secured with new customers during the fourth quarter of 2013 and in the first half of 2014 and expansion of existing customer subscriptions.

Professional services revenue for the third quarter of 2014 decreased \$0.8 million or 17% to \$4.1 million from \$4.9 million for the same period in 2013. For the nine months ending September 30, 2014, professional service

revenue was \$13.1 million compared to \$14.1 million for the same period in 2013, representing a decrease of 7%. The decrease in services revenue is due to a decline in revenue related to a significant engagement with an existing customer that ended in December 2013. This decrease was partially offset by an increase in services provided for deployment of new customers acquired during the second half of 2013 and first half of 2014.

Maintenance & support revenue was \$0.3 million for the third quarter of 2014, down 19% compared to the same period in 2013 and \$0.9 million for 2014 year to date compared to \$1.3 million for 2013, a decrease of 29%. The decrease in revenue is due to support contracts with legacy customers with perpetual licenses that have lapsed and the migration of perpetual licenses held by a specific customer to a subscription model in the latter half of fiscal 2013.

Gross Profit

	Three months ended September 30,		2013 to 2014	Nine months ended September 30,		2013 to 2014
	2014	2013	%	2014	2013	%
(In thousands of U.S. dollars, except percentages)						
Cost of revenue	\$ 4,855	\$ 4,556	7%	\$ 15,312	\$ 13,413	14%
Gross profit	12,826	10,895	18%	35,922	31,084	16%
Gross profit %	73%	71%		70%	70%	

Cost of revenue for the third quarter of 2014 increased \$0.3 million, or 7%, to \$4.9 million from \$4.6 million for the same period in 2013. For the nine months ended September 30, 2014, cost of revenue increased 14% to \$15.3 million from \$13.4 million for the same period in 2013. The increase in costs was primarily attributable to increased headcount and related compensation costs initiated in the second half of 2013 to support active engagements and future growth of professional services activity, an increase in use of third-party service providers to support new deployments, and increased travel costs and billable expenses related to currently active projects. An increase in costs associated with expansion of data centre capacity to support new customer engagements was also realized. Gross profit for the three and nine months ended September 30, 2014 was \$12.8 million and \$35.9 million compared to \$10.9 million and \$31.1 million for the same periods in 2013. Gross profit as a percentage of revenue increased to 73% in the third quarter ended September 30, 2014 from 71% in the third quarter ended September 20, 2013 and was 70% in the nine months ended September 30, 2014 and 2013. The percentage increase in the third quarter was due to the growth in total revenue in the period compared to the third quarter of 2013 while the growth in cost of revenue was lower in the third quarter of 2014 driven by a lower level of investment in additional services headcount compared to the same period in 2013.

Selling and Marketing Expenses

	Three months ended September 30,		2013 to 2014	Nine months ended September 30,		2013 to 2014
	2014	2013	%	2014	2013	%
(In thousands of U.S. dollars, except percentages)						
Selling and marketing	\$ 3,014	\$ 3,413	(12%)	\$ 10,021	\$ 11,528	(13%)
As a percentage of revenue	17%	22%		20%	26%	

Selling and marketing expenses for the third quarter of 2014 decreased \$0.4 million, or 12%, to \$3.0 million from \$3.4 million in the third quarter of 2013. For the nine months ended September 30, 2014, selling and marketing expenses decreased \$1.5 million or 13% to \$10.0 million from same period in 2013. The decrease in sales and marketing expenses was due to lower marketing headcount and related compensation costs due to a functional realignment of product marketing resources to product management under research and development in the fourth quarter of 2013. This decrease was partially offset by higher sales headcount and related compensation and commission expenses incurred in the third quarter of 2014. As a percentage of revenue, selling and marketing expenses decreased 5% to 17% in the third quarter of 2014 and decreased 6% to 20% for the nine months ended September 30, 2014. This is due primarily to the marketing headcount realignment. The decrease in percentage also reflects a leverage of the investment in sales resources made in fiscal 2013. Due to the timing of marketing programs and events, selling and marketing expenses will vary from quarter to quarter.

Research and Development Expenses

	Three months ended September 30,		2013 to 2014	Nine months ended September 30,		2013 to 2014
	2014	2013	%	2014	2013	%
(In thousands of U.S. dollars, except percentages)						
Research and development - gross	\$ 3,941	\$ 2,278	73%	\$ 11,482	\$ 7,443	54%
Less: Investment tax credits.....	(396)	(546)	(27%)	(1,415)	(1,719)	(18%)
Research and development	3,545	1,732	105%	10,067	5,724	76%
As a percentage of revenue						
Gross.....	22%	15%		22%	17%	
Net	20%	11%		20%	13%	

Gross research and development expenses for the third quarter of 2014 increased \$1.6 million to \$3.9 million or 73% and for the nine months ended September, 2014, increased \$4.1 million to \$11.5 million or 54%, in each case compared to the same periods in 2013. The increase in research and development expenses was due to an increase in compensation and related costs from an increase in headcount from new hires and the realignment of marketing resources under product management completed in the fourth quarter of 2013. The investment in headcount was made to support ongoing programs to develop the RapidResponse product and solution offering for new and existing customers. Investment tax credits earned on research and development activity in Canada decreased 27% in the third quarter to \$0.4 million and 18% to \$1.4 million for the first nine months, in each case compared to the same periods in 2013, due to a decrease in the effective rates for earning credits and the ineligibility of capital purchases for tax credits for 2014 as well as the loss of refundable credits at a higher rate upon closing of our initial public offering and becoming a public company. As a percentage of revenues, gross research and development expenses was 22% for the third quarter and year to date of 2014 compared to 15% and 17% for the same periods in 2013, reflecting an additional investment in product development. Net research and development as a percentage of revenue for the third quarter and year to date of 2014 was 20% compared to 11% and 13% for the same periods in 2013. The percentage increased due to the decrease in the investment tax credits earned compared to the previous year in addition to higher product development expenses.

General and Administrative Expenses

	Three months ended September 30,		2013 to 2014	Nine months ended September 30,		2013 to 2014
	2014	2013	%	2014	2013	%
(In thousands of U.S. dollars, except percentages)						
General and administrative	\$ 2,138	\$ 1,723	24%	\$ 6,188	\$ 4,571	35%
As a percentage of revenue	12%	11%		12%	10%	

For the third quarter of 2014, general and administrative expenses increased \$0.4 million, or 24%, to \$2.1 million from \$1.7 million for the same period in 2013. For the nine months ended September 30, 2014, general and administrative expenses increased \$1.6 million, or 35% to \$6.2 million from \$4.6 million for the same period in 2013. The increase in general and administrative expenses was due to an increase in headcount and related compensation costs and share-based payments expense as well as accounting, audit and legal fees related to the conversion to IFRS, review of quarterly results, tax planning and corporate governance support. As a percentage of revenue, general and administrative expenses were 12% for the third quarter of 2014, compared to 11% for the same period in 2013 and 12% for the nine months ended September 30, 2014, compared to 10% for the same period in 2013 due to the increase in compensation costs and accounting, audit and legal fees noted above.

Other Income and Expense

The following table provides a breakdown of other income and expense by type:

	Three months ended September 30,		2013 to 2014	Nine months ended September 30,		2013 to 2014
	2014	2013	%	2014	2013	%
(In thousands of U.S. dollars, except percentages)						
Other income (expense)						
Loss due to change in fair value of redeemable preferred shares	\$ -	\$ (5,683)	— ⁽¹⁾	\$ (6,760)	\$ (15,219)	(56%)
Foreign exchange (loss) gain.....	(262)	103	(354%)	(134)	(160)	(16)%
Net finance income (expense).....	3	16	(81%)	(507)	44	— ⁽¹⁾
Total other expense.....	(259)	(5,564)	(95%)	(7,401)	(15,335)	(52%)

Note:

- (1) The percentage change has been excluded as it is not meaningful.

For the three months ended September 30, 2014, total other expense was \$0.3 million compared to \$5.6 million for the third quarter of 2013, and year to date was \$7.4 million for 2014 compared to \$15.3 million for 2013. The decrease in the third quarter was due to the non-cash fair value adjustment recorded in the third quarter of 2013 for the redeemable preferred shares which were converted to Common Shares at the time of our initial public offering in the second quarter of 2014. For the first nine months of 2014, other expenses decreased due to a lower fair value adjustment for the redeemable preferred shares compared to the adjustments incurred in the first three quarters of 2013, offset partially by an increase in interest expense incurred in the first half of 2014 on our term loan.

Income Taxes

	Three months ended September 30,		2013 to 2014	Nine months ended September 30,		2013 to 2014
	2014	2013	%	2014	2013	%
(In thousands of U.S. dollars, except percentages)						
Income tax expense						
Current	\$ 232	\$ 173	34%	\$ 626	\$ 519	21%
Deferred	1,126	1,071	5%	2,424	2,287	6%
Total income tax expense	1,358	1,244	9%	3,050	2,806	9%

For the three and nine months ended September 30, 2014, income tax expense of \$1.4 million and \$3.0 million was recognized compared to \$1.2 million and \$2.8 million for the same periods in 2013. The increase in income tax expense for the third quarter and first nine months of 2014 compared to the same periods in 2013 was due to a higher annual effective tax rate resulting from an increase in non-deductible shared-based compensation compared to the prior year.

Profit (Loss)

	Three months ended September 30,		2013 to 2014	Nine months ended September 30,		2013 to 2014
	2014	2013	%	2014	2013	%
	(In thousands of U.S. dollars, except percentages)					
Profit (Loss).....	\$ 2,512	\$ (2,781)	190%	\$ (805)	\$ (8,880)	(91%)
Adjusted profit.....	3,306	3,106	6%	7,768	6,997	11%
Adjusted EBITDA	5,240	4,440	18%	12,276	10,535	17%
Basic earnings (loss) per share.....	0.11	(0.16)		(0.05)	(0.53)	
Diluted earnings (loss) per share...	0.10	(0.16)		(0.05)	(0.53)	
Adjusted diluted earnings per share.....	0.13	0.11		0.35	0.26	

Profit for the three months ended September 30, 2014 increased \$5.3 million to \$2.5 million or \$0.11 per basic share and \$0.10 per diluted share, from a loss of \$2.8 million or \$0.16 per basic and diluted share for the same period in 2013. Year to date the loss decreased to \$0.8 million or \$0.05 per basic and diluted share from \$8.9 million or \$0.53 per basic and diluted share. The increase in profit was primarily driven by a lower fair value adjustment on the redeemable preferred shares which were converted to Common Shares at the time of our initial public offering in June 2014. Adjusted EBITDA for the third quarter of 2014 was \$5.2 million, an increase of \$0.8 million from \$4.4 million from the corresponding period in 2013. For the nine months ended September 30 2014, Adjusted EBITDA increased \$1.8 million to \$12.3 million, compared to \$10.5 million in the corresponding period in 2013. The increase in Adjusted EBITDA in the three months and nine months ended September 30, 2014 is driven by an increase in profit from operations excluding the impact of an increase in share-based payment expenses for the third quarter and year to date 2014 compared to the same periods for 2013.

Key Balance Sheet Items

	As at September 30, 2014	As at December 31, 2013
	(In thousands of U.S. dollars)	
Total assets.....	\$ 81,794	\$ 41,472
Total liabilities	36,677	115,052

An analysis of the key balance sheet items driving the change in total assets and liabilities is as follows:

Trade and other receivables

	As at September 30, 2014	As at December 31, 2013
	(In thousands of U.S. dollars)	
Trade and other receivables.....	\$ 7,636	\$ 12,449

Trade and other receivables were \$7.6 million at September 30, 2014, a decrease of \$4.8 million compared to \$12.4 million at December 31, 2013. The change in trade and other receivables was due to timing of billings and collections on receivables which can have a significant impact on the balance at any point in time due to the annual subscription billing cycle. The aging of trade receivables is generally current and we have no history of bad debts.

Investment tax credits

	As at September 30, 2014	As at December 31, 2013
	(In thousands of U.S. dollars)	
Investment tax credits receivable	\$ 1,811	\$ 1,330
Long-term investment tax credits recoverable	2,980	2,108

Investment tax credits receivable are the estimated refunds we anticipate receiving as a result of research and development that is considered qualified for investment tax credits. As of the closing of our initial public offering, we no longer are eligible for refundable investment tax credits. We remain eligible for non-refundable investment tax credits which will be earned at a lower rate resulting in higher research and development expenses going forward.

Investment tax credits receivable of \$1.8 million at September 30, 2014 were \$0.5 million higher compared to \$1.3 million at December 31, 2013 due to the timing of filing the return for 2013 and receiving the refund. Long-term investment tax credits recoverable are the non-refundable portion of investment tax credits earned. The balance increased \$0.9 million to \$3.0 million at September 30, 2014 from \$2.1 million at December 31, 2013 due to estimated non-refundable credits earned in the first nine months of 2014.

Deferred revenue

	<u>As at September 30, 2014</u>	<u>As at December 31, 2013</u>
	(In thousands of U.S. dollars)	
Deferred revenue.....	\$ 32,283	\$ 24,700

Deferred revenue at September 30, 2014 was \$32.3 million, an increase of \$7.6 million compared to \$24.7 million at December 31, 2013. We generally bill our customers annually in advance for subscriptions resulting in the amount billed initially recorded as deferred revenue and drawn down to revenue over the term. The increase in deferred revenue reflects the increase in subscription revenue from the addition of new customer contracts and expansion of existing customers and the timing of annual billings. In addition, during the second quarter of 2014, a subscription agreement with an existing customer was amended to reduce the remaining term from three years to two years and the full payment covering the remaining two year subscription fee was received during the quarter.

Redeemable preferred shares

	<u>As at September 30, 2014</u>	<u>As at December 31, 2013</u>
	(In thousands of U.S. dollars)	
Redeemable preferred shares	\$ -	\$ 54,135

Prior to our initial public offering, we had redeemable preferred shares outstanding that had been designated as financial liabilities and recorded at fair value through profit or loss in accordance with IFRS. The liability increased \$6.8 million during the first nine months of 2014 compared to December 31, 2013 due to the change in the fair value of the redeemable preferred shares. Immediately before completion of our initial public offering, all of our outstanding redeemable preferred shares were converted into Common Shares on a one-for-one basis. The accumulated deficit generated by the non-cash fair value adjustments amounting to \$41.0 million related to these converted preferred shares was reclassified from deficit to share capital. Upon completion of our initial public offering we no longer have issued or authorized redeemable preferred shares and we will no longer incur the related changes in fair value recorded in profit and loss.

Liquidity and Capital Resources

Our primary source of cash flow is sales of subscriptions for our software and sales of services. Our approach to managing liquidity is to ensure, to the extent possible, that we always have sufficient liquidity to meet our liabilities as they come due. We do so by continuously monitoring cash flow and actual operating expenses compared to budget.

	<u>As at September 30, 2014</u>	<u>As at December 31, 2013</u>
	(In thousands of U.S. dollars)	
Cash and cash equivalents.....	\$ 55,928	\$ 13,804

Cash and cash equivalents increased \$42.1 million to \$55.9 million at September 30, 2014, from \$13.8 million at December 31, 2013. The increase is primarily due to the proceeds from our initial public offering which closed in the second quarter of 2014, net of repayment of our term loan as well as cash from operations for the first nine months of 2014.

In addition to the cash balances, we have a Cdn\$5.0 million revolving demand facility available to be drawn to meet ongoing working capital requirements. Our principal cash requirements are for working capital and capital expenditures. Excluding deferred revenue, working capital at September 30, 2014 was \$62.7 million. Given the ongoing cash generated from operations and our existing cash and credit facilities, we believe there is sufficient liquidity to meet our current and planned financial obligations.

The following table provides a summary of cash inflows and outflows by activity:

	Nine months ended September 30,	
	2014	2013
	(In thousands of U.S. dollars)	
Cash Inflows and (Outflow) by activity		
Operating activities	\$ 13,574	\$ 12,066
Investing activities	(3,071)	(814)
Financing activities	31,819	259
Effects of exchange rates	(198)	(438)
Net cash inflows (outflows)	42,124	11,073

Cash provided by (used in) operating activities

Cash generated by operating activities was \$13.6 million in the first nine months of 2014 compared to \$12.1 million in the same period in 2013. The increase of \$1.5 million was due primarily to the increase in non-cash share-based compensation of \$1.2 million, deferred revenue of \$7.8 million and receivables of \$4.7 million due to timing of subscription billings and a contract amendment with an existing customer. This was offset by the Part VI.1 tax of \$4.0 million and non-resident withholding taxes of \$1.7 million paid in the first quarter of 2014 which had been withheld from amounts payable on the repurchase of Class A Preferred Shares, Common Shares and Non-Voting Common Shares completed in the fourth quarter of 2013 and a lower non-cash loss due to the change in fair value of redeemable preferred shares of \$6.8 million in the first nine months of 2014 compared to \$15.2 million for the same period in 2013.

Cash provided by (used in) investing activities

Cash used in investing activities is driven by purchases of property and equipment primarily related to computer equipment for use in our hosting facilities and to support research and development requirements. For the nine months ended September 30, 2014, cash used in purchase of property and equipment was \$3.1 million, an increase of \$2.3 million compared to \$0.8 million for the same period in 2013. We expect to continue to invest in additional property and equipment to support the growth in our customer base and to take advantage of new and advanced technology.

Cash provided by (used in) financing activities

Cash provided by financing activities for the nine months ended September 30, 2014 was \$31.8 million comprised of: \$1.1 million of proceeds from shares issued for cash and upon exercise of options prior to completion of our initial public offering, \$55.7 million of proceeds from our initial public offering net of share issuance costs incurred, and \$5.0 million drawn on the term debt facility to fund the Part VI.1 tax liability resulting from the shares repurchased in the fourth quarter of 2013, less repayment of the term debt facility in full for \$30 million. The cash provided by financing activities in the same period in 2013 was \$0.3 million due to proceeds from shares issued upon exercise of options and subscriptions received under the share purchase plan (which was discontinued in connection with our initial public offering).

Revolving Credit Facility and Term Loan

On December 18, 2013, we entered into certain credit facilities with the Royal Bank of Canada (“**RBC**”). The credit facilities are comprised of a Cdn\$5.0 million revolving demand credit facility (the “**Revolving Facility**”) and a \$30.0 million non-revolving term loan (the “**Term Loan**”) maturing on June 30, 2017.

As of September 30, 2014, no amounts had been drawn against the Revolving Facility. Prior to our initial public offering, \$30.0 million had been drawn under the Term Loan. On June 18, 2014, the balance of the Term Loan was repaid using proceeds of our initial public offering. Upon full repayment the Term Loan facility was terminated.

The interest rate on the remaining Revolving Facility is RBC U.S. prime plus 1% per annum for U.S. dollar denominated amounts and RBC U.S. base rate plus 1% per annum for Canadian dollar denominated amounts. In the event our aggregate borrowings under the Revolving Facility exceed Cdn \$0.5 million a borrowing limit applies that is based principally on our accounts receivable.

Use of Proceeds

On June 10, 2014, pursuant to our initial public offering, we issued 5,000,000 Common Shares for proceeds, before deducting fees and expenses, of approximately Cdn.\$65.0 million. After deducting fees and expenses, we realized net proceeds of \$55.7 million (approximately Cdn.\$61.3 million).

As previously disclosed we planned to use the proceeds we received from our initial public offering as follows: approximately \$30.0 million (approximately Cdn.\$33.0 million) for debt repayment, approximately Cdn.\$23.6 million to strengthen our balance sheet, and the balance for working capital and general corporate and administrative purposes. We may also use a portion of the net proceeds to expand our current business through acquisitions of, or investments in, other complementary businesses, products or technologies. We may re-allocate the net proceeds from time to time depending on changes in business conditions prevalent at the time.

The following table sets out a comparison of the intended use of proceeds disclosed in the prospectus dated June 3, 2014 (the “**Intended Use of Proceeds**”) publicly filed in connection with our initial public offering and actual use of proceeds from the offering (other than working capital):

Intended Use of Proceeds	Estimated Amount	Actual Use of Proceeds	Actual Amount	Variations
Debt repayment	\$30.0 million	Debt repayment	\$30.0 million	No variance
Strengthen our balance sheet	Cdn.\$23.6 million	Strengthen our balance sheet	Cdn.\$23.6 million	No variance

Contractual Obligations

The following table summarizes our contractual obligations as at September 30, 2014, including commitments relating to leasing contracts:

	Less than 1 year	1 to 5 years	More than 5 years	Total amount
	(In thousands of U.S. dollars)			
Commitments				
Operating lease agreements	\$ 497	\$ 2,686	\$ –	\$ 3,183
Financial Obligations				
Trade payables and accrued liabilities	4,274	–	–	4,274
Total Obligations	<u>\$ 4,771</u>	<u>\$ 2,686</u>	<u>\$ –</u>	<u>\$ 7,457</u>

The following table summarizes our contractual obligations as at December 31, 2013, including commitments relating to leasing contracts:

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>	<u>Total amount</u>
	(In thousands of U.S. dollars)			
Commitments				
Operating lease agreements	\$ 1,114	\$ 2,799	\$ –	\$ 3,913
Financial Obligations				
Trade payables and accrued liabilities	11,062	–	–	11,062
Long-term debt	4,167	20,833	–	25,000
Redeemable preferred shares	–	54,135	–	54,135
	<u>15,229</u>	<u>74,968</u>	<u>–</u>	<u>90,197</u>
Total Obligations	\$ 16,343	\$ 77,767	\$ –	\$ 94,110

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements, other than operating leases (which have been disclosed under “Liquidity and Capital Resources - Contractual Obligations”), that have, or are likely to have, a current or future material effect on our consolidated financial position, financial performance, liquidity, capital expenditures or capital resources.

Transactions with Related Parties

We do not have any transactions during the nine months ended September 30, 2014 and 2013 that would be considered to be between the Company and a related party.

Financial Instruments and Other Instruments

We recognize financial assets and liabilities when we become party to the contractual provisions of the instrument. On initial recognition, financial assets and liabilities are measured at fair value plus transaction costs directly attributable to the financial assets and liabilities, except for financial assets or liabilities at fair value through profit and loss, whereby the transactions costs are expensed as incurred.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Our credit risk is primarily attributable to trade and other receivables.

The nature of our subscription based business results in payments being received in advance of the majority of the services being delivered; as a result, our credit risk exposure is low. As the majority of our revenues are amortized into income over a period of time, the potential impact on our operating results is low as any uncollectible amounts would affect trade and other receivables and deferred revenue.

Currency risk

A portion of our revenues and operating costs are realized in currencies other than our functional currency, such as the Canadian dollar, Euros, the Hong Kong dollar and Japanese Yen. As a result, we are exposed to currency risk on these transactions. Also, additional earnings volatility arises from the translation of monetary assets and liabilities denominated in foreign currencies at the rate of exchange on each date of the Consolidated Statements of Financial Position; the impact of which is reported as a foreign exchange gain or loss.

Our objective in managing our currency risk is to minimize exposure to currencies other than our functional currency. We do so by matching foreign denominated assets with foreign denominated liabilities.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. We believe that interest rate risk is low for our financial assets as the majority of investments are made in fixed rate instruments. We do have interest rate risk related to our credit facilities. The rates on our Revolving Facility are variable to bank prime rate.

Capital management

Our capital is composed of our Common Shares and shareholders' equity. Our objective in managing our capital is financial stability and sufficient liquidity to increase shareholder value through organic growth and investment in sales, marketing and product development. Our senior management team is responsible for managing the capital through regular review of financial information to ensure sufficient resources are available to meet operating requirements and investments to support our growth strategy. The Board of Directors is responsible for overseeing this process. In order to maintain or adjust our capital structure, we could issue new shares, repurchase shares, approve special dividends or issue debt.

Critical Accounting Policies and Estimates

Revenue

We derive revenue from subscriptions for our product comprised of our hosted software-as-a-service (SaaS) application and fixed term subscription licenses of our software products ("**On-premise licenses**"). In addition, we derive revenue from the provision of professional services including implementation services, technical services and training and, to a lesser degree, from maintenance and support services provided to customers with legacy perpetual licenses to our software products. Professional services do not include significant customization to, or development of, the software.

We commence revenue recognition when all of the following conditions are met:

- it is probable that the economic benefits of the transaction will flow to the entity;
- the amount of revenue can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

We provide our SaaS, On-premise licenses and professional services on a stand-alone basis or as part of a multiple element arrangement. Stand-alone sales occur through renewals of the SaaS or On-premise license and stand-alone purchases of the same or similar professional services on an ongoing basis by customers. When sold in a multiple element arrangement, the SaaS or On-premise license and the professional services elements are considered separate units of accounting as they have stand-alone value to the customer. The total consideration for the arrangement is allocated to the separate units of accounting based on their relative fair value and the revenue is recognized for each unit when the requirements for revenue recognition have been met. We determine the fair value of each unit of accounting based on the selling price when they are sold separately. When the fair value cannot be determined based on when it was sold, we determine a value that most reasonably reflects the selling price that might be achieved in a stand-alone transaction. Inputs considered in making this determination include the specific parameters and model used in determining the contract price, contracted renewal rates, the history of pricing, renewals and stand-alone sales activity of similar customers.

Subscription revenue related to the provision of SaaS or On-premise term licenses is recognized ratably over the contract term as the service or access to the software is delivered. The contract term begins when the service is made available or the license is delivered to the customer.

We enter into arrangements for professional services on a time and materials basis. Revenue for these professional services is recognized as the services are performed.

Maintenance and support services provided to customers with legacy perpetual licenses are sold as a single element arrangement with one unit of accounting. Revenue for these arrangements is recognized ratably over the term of the maintenance contract.

Judgment is applied in determining the components of a multiple element revenue arrangement. In allocating the consideration received among the multiple elements of a revenue arrangement, we must make estimates as to the fair value of each individual element. The selling price of the element on a stand-alone basis is used to determine the fair value. Where stand-alone sales do not exist, various inputs are used to determine the fair value. Changes to these inputs may result in different estimates of fair value for an element and impact the allocation of consideration and timing of revenue recognition.

Income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where we operate and generate taxable income.

Deferred income tax assets and liabilities are recorded for the temporary differences between transactions that have been included in the financial statements or income tax returns. Deferred income taxes are provided for using the liability method. Under the liability method, deferred income taxes are recognized for all significant temporary differences between the tax and financial statement bases of assets and liabilities and for certain carry-forward items. Deferred income tax assets are recognized only to the extent that, in the opinion of management, it is probable that the deferred income tax assets will be realized.

The recognition of deferred tax assets requires that we assess future taxable income available to utilize deferred tax assets related to deductible or taxable temporary differences. We consider the nature and carry-forward period of deferred tax assets, our recent earnings history and forecast of future earnings in performing this assessment. The actual deferred tax assets realized may differ from the amount recorded due to factors having a negative impact on our operating results and lower future taxable income.

Investment tax credits recoverable

The recognition of investment tax credits recoverable requires that we assess future tax payable available to utilize the investment tax credits. We consider the carry-forward period of the investment tax credits, our recent earnings history and forecast of future earnings in performing this assessment. We determine the value of effort expended towards research and development projects that qualify for investment tax credits and calculate the estimated recoverable to be recognized. The allocation of direct salaries to qualifying projects is derived from time records and assessment by management. The actual investment tax credits claimed and realized may differ from the estimate based on the final tax returns and review by tax authorities.

Fair value of share-based payments

We use the Black-Scholes valuation model to determine the fair value of equity settled stock options. Estimates are required for inputs to this model including the fair value of the underlying shares, the expected life of the option, volatility, expected dividend yield and the risk-free interest rate. Variation in actual results for any of these inputs will result in a different value of the stock option realized from the original estimate.

Controls and Procedures

Disclosure Controls and Procedures

The Company's CEO and CFO are responsible for establishing and maintaining disclosure controls and procedures for the Company. The Company maintains a set of disclosure controls and procedures designed to provide reasonable assurance that information required to be publicly disclosed is recorded, processed, summarized and reported on a timely basis.

Internal Controls over Financial Reporting

The Company's internal controls over financial reporting ("ICFR") are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's management is responsible for establishing and maintaining adequate ICFR for the Company. Management, including the CEO and CFO, does not expect that the Company's ICFR will prevent or detect all errors and all fraud or will be effective under all future conditions. A control system is subject to inherent limitations and even those systems determined to be effective can provide only reasonable, but not absolute, assurance that the control objectives will be met with respect to financial statement preparation and presentation.

CSA National Instrument 52-109 requires the CEO and CFO to certify that they are responsible for establishing and maintaining ICFR for the Company and that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. The CEO and CFO are also responsible for disclosing any changes to the Company's internal controls during the most recent period that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. There have been no changes in the Company's internal control over financial reporting during the period that have materially affected, or are likely to materially affect, the Company's internal control over financial reporting.

Adoption of New Accounting Standards

IAS 32: Financial Instruments: Presentation

In December 2011, the IASB amended IAS 32 to clarify the meaning of when an entity has a current legally enforceable right of set-off. The amendments are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively. The adoption of IAS 32 did not have a material impact on the consolidated financial statements.

IFRIC 21: Levies

In May 2013, the IASB issued IFRIC 21 which provides guidance on accounting for levies in accordance with the requirements of IAS 37: Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It also notes that levies do not arise from executory contracts of other contractual arrangements. The interpretation also confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. This IFRIC is effective for annual reporting periods beginning on or after January 1, 2014 and is required to be applied retrospectively. The adoption of IFRIC 21 did not have a material impact on the consolidated financial statements.

Changes to standards and interpretations

IFRS 15: Revenue from Contracts with Customers

In May 2014, the International Accounting Standards Board issued IFRS 15, Revenue from Contracts with Customers, which provides a single, principles-based five-step model for revenue recognition to be applied to all customer contracts, and requires enhanced disclosures. This standard is effective January 1, 2017. We are currently evaluating the impact of adopting this standard on the consolidated financial statements. The standard allows early adoption, however, we do not intend to adopt this standard early.

Outstanding Share Information

As of September 30, 2014, our authorized capital consists of an unlimited number of Common Shares with no stated par value. Changes in the number of Common Shares, options and restricted share units outstanding for the nine month period ended September 30, 2014 are summarized as follows:

Class of Security	<u>Number outstanding at December 31, 2013</u>	<u>Net issued</u>	<u>Number outstanding at September 30, 2014</u>
Common Shares	7,674,049	15,937,291	23,611,340
Non-Voting Common Shares	5,332,504	(5,332,504)	–
Class A Preferred Shares	5,111,917	(5,111,917)	–
Stock Options	1,945,580	265,313	2,210,893
Restricted Share Units	–	80,000	80,000

Our outstanding Common Shares increased by 15.9 million shares in the first nine months of 2014 due to 36,466 options exercised, the conversion of 5.8 million Non-Voting Common Shares and 5.1 million Class A Preferred Shares into Common Shares due to the capital reorganization prior to our initial public offering, and the issuance of 5.0 million Common Shares from treasury upon closing of the offering. Our Non-Voting Common Shares decreased by 5.3 million during the first half of 2014 due to conversion of 5.8 million Non-Voting Common Shares into Common Shares net of 60,000 shares issued for cash and 396,471 shares issued upon the exercise of options. Our Class A Preferred Shares decreased by 5.1 million due to the conversion of Class A Preferred Shares into Common Shares resulting from the capital reorganization.

Our outstanding stock options increased by 265,313 options during the first nine months of 2014 due to the grant of 765,000 options less 432,937 options exercised and 66,750 options forfeited or expired. Each option is exercisable for one Common Share.

Our outstanding restricted share units increased by 80,000 during the first nine months of 2014 due to the grant of 80,000 restricted share units. Each restricted share unit is exercisable for one Common Share.