Kinaxis Inc. Reports First Quarter 2016 Results

- Reports 37% growth in total revenue and 30% Adjusted EBITDA Margin -

OTTAWA, May 4, 2016 /CNW/ - Kinaxis® (TSX:KXS), provider of RapidResponse®, delivering cloud-based SCM and S&OP applications, reported results for its fiscal first quarter, which ended March 31, 2016. All amounts are in U.S. dollars. All figures are prepared in accordance with International Financial Reporting Standards (IFRS), unless otherwise indicated.

First Quarter 2016 Highlights
(Comparisons made between fiscal Q1 2016 and fiscal Q1 2015 results, unless otherwise noted)

- Revenue totaled $27.0 million, up 37%
- Subscription revenue was $18.5 million, up 20%
- Gross profit was $18.9 million (70% of total revenue), up 36%
- Adjusted EBITDA(1) totaled $8.0 million (30% of total revenue), up 44%
- Adjusted diluted earnings per share(1) of $0.22

(1) "Adjusted EBITDA" and "Adjusted diluted earnings per share" are non-IFRS measures and are not recognized, defined or standardized measures under IFRS. These measures as well as other non-IFRS financial measures reported by Kinaxis are defined in the "Non-IFRS Measures" section of this news release.

"Our first quarter results were strong, with growth across all fundamentals of our business. This momentum continues to be driven by a consistent and growing base of subscription revenue and robust professional services revenues as we engage with our customers on deeper deployments," said John Sicard, CEO of Kinaxis. "Our recent agreement with Deloitte demonstrates global partners recognize RapidResponse as a comprehensive solution to complex supply chain challenges. These strategic partnerships provide us with greater access to a broader addressable market, faster than we could achieve independently. Our strategic partnerships together with our proven land and expand strategy position us to deliver continued strong results."

Fiscal Q1 2016 Financial Results

Total revenue for the three months ending March 31, 2016 (Q1 2016) was $27.0 million, an increase of 37% compared to the same period in 2015.

Subscription revenue was $18.5 million in Q1 2016, an increase of 20% from $15.4 million for the same period in 2015. The increase was driven by contracts secured with new customers in the last twelve months, as well as expansion of existing customer subscriptions.

Professional services revenue increased 107% to $8.3 million in Q1 2016, compared to $4.0 million for the same period in 2015. Growth was driven primarily by the initiation of deployment projects for new customers acquired in fiscal 2015 and 2016. In addition, our partners continue to play an increasing role in supporting new customer deployment.

Gross profit was $18.9 million in Q1 2016, compared to $13.9 million for the same period in 2015. As a percentage of revenue, gross profit was 70% compared to 71% in the prior year quarter. The percentage change in Q1 2016 was due to higher growth in the cost of revenue than the growth in revenue in the period compared to the first quarter of 2015. Cost of revenue grew as a result of planned investments in additional headcount as well as the use of third party providers.

Adjusted EBITDA was $8.0 million in Q1 2016, compared to $5.6 million in the same period last year. The improvement was the result of an increase in operating profits which was driven primarily by increased subscription revenues.

Profit for Q1 2016 was $3.4 million or $0.14 per basic and $0.13 per diluted share compared to a profit of $2.4 million or $0.10 per basic and diluted share for the same period in 2015. The increase was primarily driven by growth in revenue in the first quarter and the lower Canadian dollar versus the U.S. dollar which had a positive effect on operating expenses and profitability.

Cash generated by operating activities was $8.8 million for Q1 2016 compared to $23.6 million in Q1 2015. The change was primarily due to the receipt of a prepayment of a multi-year subscription of approximately $20.0 million that occurred in the prior year period.

Cash and cash equivalents were $108.3 million as at March 31, 2016 as compared to $99.4 million as at December 31, 2015.

Full Year 2016 Financial Guidance

With today's announcement, the Company is updating its 2016 full-year financial guidance:

- Annual total revenue to be in the range of $108 million to $111 million
- Annual subscription revenue to grow 20% to 22%
- Annual Adjusted EBITDA as a percentage of total revenue to be between 25% and 29% of total revenue

This guidance is provided to enhance visibility into the Company's expectations for financial targets for the year ending December 31, 2016. Please refer to the section regarding forward-looking statements which forms an integral part of this release.

This press release, along with the unaudited condensed consolidated interim financial statements and the Company's corresponding MD&A, are available on the Company's website at www.kinaxis.com and on SEDAR at www.sedar.com.

Conference Call

The Company will host a conference call today, May 4, 2016 to discuss these results. John Sicard, CEO, and Richard Monkman, CFO, will host the call starting at 6:00 p.m. Eastern time. A question and answer session will follow management's presentation.

Date: Wednesday, May 4, 2016
Time: 6:00 p.m. Eastern time
Dial-In Number: 1 (888) 231-8191
International: 1 (647) 427-7450
Conference ID#: 93487229

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization.

A replay of the call will be available until 12:00 midnight Eastern time on Wednesday May 11, 2016.

Toll-Free Replay Number: 1 (855) 859-2056
International Replay Number: 1 (416) 849-0833
Replay PIN: 93487229

Live Webcast: http://bit.ly/1VnGBYo

Webcast will be archived for 90 days

About Kinaxis Inc.
Kinaxis is 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. The supply chain planning and analytics capabilities of our product, RapidResponse, create the foundation for managing multiple, interconnected supply chain management processes. By using the single RapidResponse product instead of combining individual disparate software solutions, our customers gain visibility across their supply chains, can respond quickly to changing conditions, and ultimately realize significant operating efficiencies.

Non-IFRS Measures
This news release contains non-IFRS measures, specifically, Adjusted profit, Adjusted diluted earnings per share and Adjusted EBITDA. We use Adjusted profit and Adjusted diluted earnings per share, which remove the impact of our redeemable preferred shares and share based compensation plans, to measure our performance as these measurements better align the reporting of 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 work 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 (including our peers) and therefore comparability may be limited. Non-IFRS measures 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.

The Company has reconciled Adjusted profit and Adjusted EBITDA to the most comparable IFRS financial measure as follows:

	Three months ended March 31,	
(In thousands of U.S. dollars)	**2016**	**2015**
Profit	$ 3,369	$ 2,388
Share-based compensation	2,280	964
Adjusted profit	$ 5,649	$ 3,352
Income tax expense	2,177	1,405
Depreciation	520	354
Foreign exchange (gain) loss	(266)	479
Net finance income	(74)	(24)
	2,357	2,214
Adjusted EBITDA	$ 8,006	$ 5,566

Forward-Looking Statements
Certain statements in this release constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements include statements as to our expectations for growth of annual total revenue, annual subscription revenue, and our expectations for Adjusted EBITDA achievement, in each case looking forward for the balance of our fiscal year ending December 31, 2016, as well as statements as to Kinaxis' growth opportunities, the potential benefits of our strategic partnerships and the potential benefits of, and markets and demand for, Kinaxis' products and services. These statements are subject to certain assumptions, risks and uncertainties, including our view of the relative position of Kinaxis' products and services compared to competitive offerings in the industry. We have provided this guidance

In particular, our guidance for 2016 annual revenue total revenue, annual subscription revenue and Adjusted EBITDA, is subject to certain assumptions, including:

- *our ability to win business from new customers and expand business from existing customers;*
- *the timing of new customer wins and expansion decisions by our existing customers;*
- *maintaining our current customer retention levels; and*
- *with respect to Adjusted EBITDA, our ability to contain expense levels while expanding our business.*

These and other assumptions, risks and uncertainties may cause Kinaxis' actual results, performance, achievements and developments to differ materially from the results, performance, achievements or developments expressed or implied by forward-looking statements. Material risks and uncertainties relating to our business are described under the headings "Forward Looking Statements" and "Risks and Uncertainties" in our annual MD&A dated February 17, 2016, under the heading "Risk Factors" in our Annual Information Form dated March 21, 2016, and in our other public documents filed with Canadian securities regulatory authorities, which are available at www.sedar.com. Forward-looking statements are provided to help readers understand management's expectations as at the date of this release and may not be suitable for other purposes. Readers are cautioned not to place undue reliance on forward-looking statements. Kinaxis assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by law.

Kinaxis Inc.

Condensed Consolidated Interim Statements of Financial Position

As at March 31, 2016 and December 31, 2015

(Expressed in thousands of U.S. dollars)

(Unaudited)

	March 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	108,348	99,390
Trade and other receivables	13,953	15,833
Investment tax credits receivable	1,642	1,532

Investment tax credits recoverable	1,661	2,083
Prepaid expenses	2,484	1,906
	128,088	**120,744**
Non-current assets:		
Property and equipment	7,190	7,352
	135,278	**128,096**

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	5,875	6,794
Deferred revenue	43,852	40,442
	49,727	**47,236**
Non-current liabilities:		
Lease inducement	51	62
Deferred revenue	13,235	14,191
Deferred tax liability	578	1,003
	13,864	**15,256**
Shareholders' Equity		
Share capital	91,369	90,808
Contributed surplus	10,965	8,873
Accumulated other comprehensive loss	(413)	(474)
Deficit	(30,234)	(33,603)
	71,687	**65,604**
	135,278	**128,096**

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Condensed Consolidated Interim Statements of Comprehensive Income

For the three months ended March 31, 2016 and 2015

(Expressed in thousands of U.S. dollars, except share and per share data)

(Unaudited)

	2016	2015
Revenue	27,032	19,711
Cost of revenue	8,105	5,805
Gross profit	18,927	13,906
Operating expenses:		
Selling and marketing	5,979	3,799
Research and development	4,737	3,671
General and administrative	3,005	2,188
	13,721	9,658
	5,206	4,248
Other income (expense):		
Foreign exchange (gain) loss	266	(479)
Net finance income	74	24
	340	(455)
Profit before income taxes	**5,546**	**3,793**
Income tax expense:	2,177	1,405
Profit	**3,369**	**2,388**
Other comprehensive income (loss)		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences - foreign operations	61	(15)
Total comprehensive income	**3,430**	**2,373**
Basic earnings per share	0.14	0.10

Weighted average number of basic common shares	24,445,630	23,759,940
Diluted earnings per share	0.13	0.10
Weighted average number of diluted common shares	25,744,984	25,133,286

Kinaxis Inc.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)
For the three months ended March 31, 2016 and 2015
(Expressed in thousands of U.S. dollars)
(Unaudited)

	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity (deficiency)
Balance, December 31, 2014	**87,219**	**6,152**	**(453)**	**(46,281)**	**46,637**
Profit	-	-	-	2,388	2,388
Other comprehensive income	-	-	(15)	-	(15)
Total comprehensive income	-	-	(15)	2,388	2,373
Share options exercised	277	(87)	-	-	190
Share based payments	-	964	-	-	964
Total shareholder transactions	277	877	-	-	1,154
Balance, March 31, 2015	**87,496**	**7,029**	**(468)**	**(43,893)**	**50,164**
Balance, December 31, 2015	**90,808**	**8,873**	**(474)**	**(33,603)**	**65,604**
Profit	-	-	-	3,369	3,369
Other comprehensive income	-	-	61	-	61
Total comprehensive income	**-**	**-**	**61**	**3,369**	**3,430**
Share options exercised	561	(188)	-	-	373
Share based payments	-	2,280	-	-	2,280
Total shareholder transactions	**561**	**2,092**	**-**	**-**	**2,653**
Balance, March 31, 2016	**91,369**	**10,965**	**(413)**	**(30,234)**	**71,687**

Kinaxis Inc.
Condensed Consolidated Interim Statements of Cash Flows
For the three months ended March 31, 2016 and 2015
(Expressed in thousands of U.S. dollars)
(Unaudited)

	2016	2015
Cash flows from operating activities:		
Profit	3,369	2,388
Items not affecting cash:		
Depreciation of property and equipment	520	354
Share-based payments	2,280	964
Amortization of lease inducement	(11)	(11)
Investment tax credits recoverable	422	(339)
Income tax expense	2,177	1,405
Change in operating assets and liabilities	743	19,210
Interest paid	(713)	(356)
	8,787	**23,615**
Cash flows used investing activities:		
Purchase of property and equipment	(358)	(1,684)

Cash flows used in financing activities:		
Common Shares issued	373	190
Increase in cash and cash equivalents	8,802	22,121
Cash and cash equivalents, beginning of period	99,390	56,725
Effects of exchange rates on cash and cash equivalents	156	(82)
Cash and cash equivalents, end of period	108,348	78,764

SOURCE Kinaxis Inc.

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