

Kinaxis Inc. Reports Fiscal Second Quarter 2016 Results

- Reports 22% Growth in Subscription Revenue and 25% Adjusted EBITDA Margin, Increases 2016 Financial Guidance -

OTTAWA, Aug. 3, 2016 /CNW/ - Kinaxis® (TSX:KXS), provider of RapidResponse®, delivering cloud-based SCM and S&OP applications, reported results for its fiscal second quarter, which ended June 30, 2016. All amounts are in U.S. dollars. All figures are prepared in accordance with International Financial Reporting Standards (IFRS), unless otherwise indicated.

Second Quarter 2016 Highlights

(Comparisons made between fiscal Q2 2016 and fiscal Q2 2015 results, unless otherwise noted)

- Revenue totaled \$28.7 million, up 21%
- Subscription revenue was \$19.9 million, up 22%
- Gross profit was \$20.0 million (70% of total revenue), up 15%
- Adjusted EBITDA⁽¹⁾ totaled \$7.3 million (25% of total revenue)
- Adjusted diluted earnings per share⁽¹⁾ of \$0.20

(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.

"We delivered great results, maintaining consistent topline growth together with both strong EBITDA and profit, while continuing to make key investments that will accelerate our long-term growth," said John Sicard, CEO of Kinaxis. "Our recent customer announcement with Samsung demonstrates the significant traction RapidResponse is receiving in new markets and the effectiveness of our solution to solve the diverse supply chain problems of the world's largest companies. Our positive customer momentum and progress in developing our strategic partner relationships gives us great confidence in our ability to continue to grow both our top and bottom line results while delivering strong cash flow from the business."

Fiscal Q2 2016 Financial Results

Total revenue for the three months ending June 30, 2016 (Q2 2016) was \$28.7 million, an increase of 21% compared to the same period in 2015.

Subscription revenue was \$19.9 million in Q2 2016, an increase of 22% from \$16.3 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 20% to \$8.5 million in Q2 2016, compared to \$7.1 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 as well as supporting the expansion of existing customer configurations. In addition, our partners continue to play an increasing role in supporting new customer deployment.

Gross profit was \$20.0 million in Q2 2016, compared to \$17.4 million for the same period in 2015. As a percentage of revenue, gross profit was 70% compared to 73% in the prior year quarter. The percentage change in Q2 2016 was due to higher growth in the cost of revenue as a result of planned investments in additional headcount as well as the use of third party providers.

Adjusted EBITDA was \$7.3 million in Q2 2016, compared to \$9.2 million in the same period last year. The change in the period was the result of higher sales and marketing costs incurred in the current quarter partially offset by the lower cost of the Canadian dollar versus the U.S. dollar.

Profit for Q2 2016 was \$3.2 million or \$0.13 per basic and diluted share compared to a profit of \$5.2 million or \$0.22 per basic and \$0.20 per diluted share for the same period in 2015. The change compared to the prior period was primarily driven by higher sales and marketing costs which were partially offset by 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 \$6.8 million for Q2 2016 compared to \$7.3 million in the same period in 2015. The change was primarily due to a decrease in profit net of income tax expenses which was partially offset by an increase in share based compensation.

Cash and cash equivalents were \$114.8 million as at June 30, 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 \$112 million to \$115 million
- Annual subscription revenue to grow 22% to 24%
- 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.

Board of Directors Update

Kinaxis also announced today that Jill Denham has been appointed to its Board of Directors.

"With over 20 years' experience in financial services, Jill brings a diverse skillset to our board," said Douglas Colbeth, Kinaxis' Chairman of the Board. "Jill's extensive experience in the financial industry and strong business acumen make her an extremely valuable asset to Kinaxis as we continue to grow."

Among her past roles, Ms. Denham was Vice Chair at CIBC Retail Markets, and a Director of the Ontario Teachers' Pension Plan Board. Prior to being Vice Chair at CIBC Retail Markets, she had responsibility for the European business of CIBC and before that she was President, Merchant Banking. She was also a member of the Task Force on the Future of Securities Regulation in Canada.

"Kinaxis' unique business model and history of profitable growth set it apart from traditional SaaS software companies," said Jill Denham. "I am looking forward to working directly with my fellow board members and utilizing my diverse background to contribute to Kinaxis' next phase of success."

Ms. Denham is currently a director of several companies, including National Bank of Canada as well as the Chair of the Board of Momeau Shepell. She holds an HBA from the University of Western Ontario School of Business Administration and an MBA from the Harvard Business School.

Conference Call

The Company will host a conference call tomorrow, August 4, 2016 to discuss these results. John Sicard, CEO, and Richard Monkman, CFO, will host the call starting at 8:30 a.m. Eastern time. A question and answer session will follow management's presentation.

Date: Thursday, August 4, 2016
Time: 8:30 a.m. Eastern time
Dial-In Number: 1 (888) 231-8191
International: 1 (647) 427-7450
Conference ID#: 45854512

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 Thursday, August 11, 2016.

Toll-Free Replay Number: 1 (855) 859-2056
International Replay Number: 1 (416) 849-0833
Replay PIN: 45854512

Live Webcast: <http://bit.ly/29RKzsU>

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 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 (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 June 30,		Six months ended June 30,	
	2016	2015	2016	2015
(In thousands of U.S. dollars)				
Statement of Operations				
Profit.....	\$ 3,240	\$ 5,198	\$ 6,609	\$ 7,586
Share-based compensation.....	1,850	1,083	4,130	2,047
Adjusted profit.....	\$ 5,090	\$ 6,281	\$ 10,739	\$ 9,633
Income tax expense.....	1,510	2,537	3,687	3,942
Depreciation.....	543	412	1,063	766
Foreign exchange loss (gain).....	188	47	(78)	526
Net finance income.....	(59)	(42)	(133)	(66)
	2,182	2,954	4,539	5,168
Adjusted EBITDA.....	\$ 7,272	\$ 9,235	\$ 15,278	\$ 14,801

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.

In particular, our guidance for 2016 annual revenue total revenue, annual subscription revenue and annual 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.

Condensed Consolidated Interim Statements of Financial Position

As at June 30, 2016 and December 31, 2015

(Expressed in thousands of U.S. dollars)

(Unaudited)

	June 30, December 31,	
	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 114,836	\$ 99,390
Trade and other receivables	13,764	15,833
Investment tax credits receivable	1,643	1,532
Investment tax credits recoverable	1,539	2,083
Prepaid expenses	3,394	1,906
	135,176	120,744
Non-current assets:		
Property and equipment	8,702	7,352
	\$ 143,878	\$ 128,096
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 10,413	\$ 6,794
Deferred revenue	40,839	40,442
	51,252	47,236
Non-current liabilities:		
Lease inducement	38	62
Deferred revenue	13,654	14,191
Deferred tax liability	689	1,003
	14,381	15,256
Shareholders' Equity		
Share capital	93,422	90,808
Contributed surplus	12,157	8,873
Accumulated other comprehensive loss	(340)	(474)
Deficit	(26,994)	(33,603)
	78,245	65,604
	\$ 143,878	\$ 128,096

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Condensed Consolidated Interim Statements of Comprehensive Income

For the three and six months ended June 30, 2016 and 2015

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

(Unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Revenue	\$ 28,734	\$ 23,704	\$ 55,766	\$ 43,415
Cost of revenue	8,713	6,287	16,818	12,092
Gross profit	20,021	17,417	38,948	31,323
Operating expenses:				
Selling and marketing	7,783	3,922	13,762	7,721
Research and development	4,736	3,955	9,473	7,626
General and administrative	2,623	1,800	5,628	3,988
	15,142	9,677	28,863	19,335

	4,879	7,740	10,085	11,988
Other income (expense):				
Foreign exchange (loss) gain	(188)	(47)	78	(526)
Net finance income	59	42	133	66
	(129)	(5)	211	(460)
Profit before income taxes	4,750	7,735	10,296	11,528
Income tax expense:	1,510	2,537	3,687	3,942
Profit	3,240	5,198	6,609	7,586
Other comprehensive income (loss)				
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences - foreign operations	73	(15)	134	(30)
Total comprehensive income	\$ 3,313	\$ 5,183	\$ 6,743	\$ 7,556
Basic earnings per share	\$ 0.13	\$ 0.22	\$ 0.27	\$ 0.32
Weighted average number of basic Common shares	24,570,593	23,835,000	24,508,111	23,797,678
Diluted earnings per share	\$ 0.13	\$ 0.20	\$ 0.26	\$ 0.30
Weighted average number of diluted Common shares	25,900,028	25,394,345	25,825,290	25,273,997

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Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)

For the six months ended June 30, 2016 and 2015

(Expressed in thousands of U.S. dollars)

(Unaudited)

	Share capital	Contributed surplus	Accumulated other comprehensive loss	Total equity Deficit (deficiency)	
Balance, December 31, 2014	\$ 87,219	\$ 6,152	\$ (453)	\$ (46,281)	\$ 46,637
Profit	-	-	-	7,586	7,586
Other comprehensive income	-	-	(30)	-	(30)
Total comprehensive income	-	-	(30)	7,586	7,556
Share options exercised	824	(271)	-	-	553
Share based payments	-	2,047	-	-	2,047
Total shareholder transactions	824	1,776	-	-	2,600
Balance, June 30, 2015	\$ 88,043	\$ 7,928	\$ (483)	\$ (38,695)	\$ 56,793
Balance, December 31, 2015	\$ 90,808	\$ 8,873	\$ (474)	\$ (33,603)	\$ 65,604
Profit	-	-	-	6,609	6,609
Other comprehensive income	-	-	134	-	134
Total comprehensive income	-	-	134	6,609	6,743
Share options exercised	2,614	(846)	-	-	1,768
Share based payments	-	4,130	-	-	4,130
Total shareholder transactions	2,614	3,284	-	-	5,898
Balance, June 30, 2016	\$ 93,422	\$ 12,157	\$ (340)	\$ (26,994)	\$ 78,245

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Condensed Consolidated Interim Statements of Cash Flows

For the three and six months ended June 30, 2016 and 2015

(Expressed in thousands of U.S. dollars)

(Unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Cash flows from operating activities:				
Profit	\$ 3,240	\$ 5,198	\$ 6,609	\$ 7,586
Items not affecting cash:				
Depreciation of property and equipment	543	412	1,063	766
Share-based payments	1,850	1,083	4,130	2,047
Amortization of lease inducement	(11)	(12)	(22)	(23)
Investment tax credits recoverable	122	(165)	544	(504)
Income tax expense	1,510	2,537	3,687	3,942
Change in operating assets and liabilities	(218)	(1,633)	525	17,577
Income taxes paid	(276)	(108)	(989)	(464)
	6,760	7,312	15,547	30,927
Cash flows used investing activities:				
Purchase of property and equipment	(2,055)	(1,226)	(2,413)	(2,910)
Cash flows from financing activities:				
Common Shares issued	1,395	363	1,768	553
Increase in cash and cash equivalents	6,100	6,449	14,902	28,570
Cash and cash equivalents, beginning of period	108,348	78,764	99,390	56,725
Effects of exchange rates on cash and cash equivalents	388	(47)	544	(129)
Cash and cash equivalents, end of period	\$ 114,836	\$ 85,166	\$ 114,836	\$ 85,166

SOURCE Kinaxis

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