Kinaxis Inc.

Condensed Consolidated Interim Financial Statements

for the three and six months ended June 30, 2023 and 2022

(In thousands of USD)

(Unaudited)

Kinaxis Inc.
Condensed Consolidated Interim Statements of Financial Position

(Expressed in thousands of USD)
(Unaudited)

	June 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 201,608	$ 175,347
Short-term investments	91,789	50,476
Trade and other receivables (note 4)	120,773	157,657
Prepaid expenses	14,383	13,660
	428,553	397,140
Non-current assets:		
Unbilled receivables (note 4)	3,134	7,245
Other receivables	954	971
Prepaid expenses	2,389	2,395
Investment tax credits recoverable	9,000	7,591
Deferred tax assets	2,368	1,065
Contract acquisition costs (note 5)	26,283	24,892
Property and equipment (note 6)	46,216	51,852
Right-of-use assets (note 7)	49,821	53,537
Intangible assets (note 8)	25,815	28,271
Goodwill (note 9)	74,020	73,314
	240,000	251,133
	$ 668,553	$ 648,273
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables and accrued liabilities (note 10)	$ 35,524	$ 40,107
Deferred revenue (note 11)	120,261	133,467
Provisions	—	296
Contingent consideration (note 18)	6,021	9,146
Lease obligations (note 12)	6,341	6,991
	168,147	190,007
Non-current liabilities:		
Lease obligations (note 12)	47,994	49,977
Deferred tax liabilities	5,172	6,861
	53,166	56,838
Shareholders' equity:		
Share capital (note 13)	278,497	244,713
Contributed surplus	77,988	65,129
Accumulated other comprehensive income (loss)	364	(156)
Retained earnings	90,391	91,742
	447,240	401,428
	$ 668,553	$ 648,273

See accompanying notes to condensed consolidated interim financial statements.

On behalf of the Board of Directors:

(signed) John (Ian) Giffen Director

(signed) Elizabeth (Betsy) Rafael Director

Kinaxis Inc.

Condensed Consolidated Interim Statements of Comprehensive Income

(Expressed in thousands of USD, except share and per share data)
(Unaudited)

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Revenue (note 15)	$ 105,772	$ 80,800	$ 206,902	$ 178,908
Cost of revenue	42,102	31,024	82,231	59,490
Gross profit	63,670	49,776	124,671	119,418
Operating expenses:				
Selling and marketing	28,417	21,138	52,581	38,264
Research and development	21,002	18,076	40,931	36,233
General and administrative	14,777	12,817	29,568	26,001
	64,196	52,031	123,080	100,498
	(526)	(2,255)	1,591	18,920
Other income (expense):				
Foreign exchange gain (loss)	(2,374)	623	(2,109)	(542)
Net finance and other income (expense)	1,819	(14)	3,124	(374)
Change in fair value of contingent consideration (note 3, 18)	(462)	—	(2,656)	—
	(1,017)	609	(1,641)	(916)
Profit (loss) before income taxes	(1,543)	(1,646)	(50)	18,004
Income tax expense	997	986	1,301	8,114
Profit (loss)	(2,540)	(2,632)	(1,351)	9,890
Other comprehensive income (loss):				
Items that are or may be reclassified subsequently to profit:				
Foreign currency translation differences - foreign operations	(423)	(1,059)	289	(1,439)
Change in net unrealized gain on cash flow hedges	154	—	231	—
	(269)	(1,059)	520	(1,439)
Total comprehensive income (loss)	$ (2,809)	$ (3,691)	$ (831)	$ 8,451
Basic earnings (loss) per share	$ (0.09)	$ (0.10)	$ (0.05)	$ 0.36
Weighted average number of basic Common Shares (note 14)	28,318,956	27,593,598	28,181,727	27,537,845
Diluted earnings (loss) per share	$ (0.09)	$ (0.10)	$ (0.05)	$ 0.35
Weighted average number of diluted Common Shares (note 14)	28,318,956	27,593,598	28,181,727	28,478,656

See accompanying notes to condensed consolidated interim financial statements.

Kinaxis Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Expressed in thousands of USD)
(Unaudited)

			Accumulated other comprehensive income (loss)				
	Share capital	Contributed surplus	Cash flow hedges	Currency translation adjustments	Total	Retained earnings	Total equity
Balance, December 31, 2021	$ 195,414	$ 54,739	$ —	$ (597)	$ (597)	$ 71,662	$ 321,218
Profit	—	—	—	—	—	20,080	20,080
Other comprehensive income	—	—	—	441	441	—	441
Total comprehensive income	—	—	—	441	441	20,080	20,521
Share options exercised	38,791	(9,076)	—	—	—	—	29,715
Restricted share units vested	10,091	(10,091)	—	—	—	—	—
Performance share units vested	417	(417)	—	—	—	—	—
Share based payments	—	29,974	—	—	—	—	29,974
Total shareholder transactions	49,299	10,390	—	—	—	—	59,689
Balance, December 31, 2022	$ 244,713	$ 65,129	$ —	$ (156)	$ (156)	$ 91,742	$ 401,428
Loss	—	—	—	—	—	(1,351)	(1,351)
Other comprehensive income	—	—	231	289	520	—	520
Total comprehensive income (loss)	—	—	231	289	520	(1,351)	$ (831)
Share options exercised	25,706	(6,062)	—	—	—	—	19,644
Performance share units vested	2,297	(2,297)	—	—	—	—	—
Share based payments	—	21,218	—	—	—	—	21,218
Shares issued for contingent consideration	5,781	—	—	—	—	—	5,781
Total shareholder transactions	33,784	12,859	—	—	—	—	46,643
Balance, June 30, 2023	$ 278,497	$ 77,988	$ 231	$ 133	$ 364	$ 90,391	$ 447,240

See accompanying notes to condensed consolidated interim financial statements.

Kinaxis Inc.
Condensed Consolidated Interim Statements of Cash Flows

(Expressed in thousands of USD)
(Unaudited)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Cash flows from operating activities:				
Profit (loss)	$ (2,540)	$ (2,632)	$ (1,351)	$ 9,890
Items not affecting cash:				
Depreciation of property and equipment and right-of-use assets (note 16)	5,186	5,437	10,661	10,768
Amortization of intangible assets (note 16)	1,331	624	2,743	1,207
Share-based payments (note 13)	9,155	6,503	17,374	12,506
Net finance expense (income)	(1,763)	81	(3,149)	498
Change in fair value of contingent consideration (note 18)	462	—	2,656	—
Income tax expense	997	986	1,301	8,114
Investment tax credits recoverable	(494)	(1,482)	(1,409)	(2,524)
Change in operating assets and liabilities (note 17)	1,587	(64)	24,546	(7,296)
Interest received	1,934	372	3,195	402
Interest paid	(415)	(475)	(848)	(929)
Income taxes paid	(1,497)	(935)	(2,871)	(2,228)
	13,943	8,415	52,848	30,408
Cash flows used in investing activities:				
Acquisition of business, net of cash acquired (note 3)	—	9	—	(3,019)
Purchase of property and equipment and intangible assets (note 6 and 8)	(769)	(1,275)	(1,632)	(7,554)
Purchase of short-term investments	(45,588)	(15,154)	(100,671)	(30,160)
Redemption of short-term investments	45,154	15,154	60,160	30,160
	(1,203)	(1,266)	(42,143)	(10,573)
Cash flows from financing activities:				
Payment of lease obligations (note 12)	(1,737)	(1,754)	(3,556)	(3,231)
Lease incentives received	—	3,858	—	3,858
Proceeds from exercise of stock options	9,133	516	19,644	7,693
	7,396	2,620	16,088	8,320
Increase in cash and cash equivalents	20,136	9,769	26,793	28,155
Cash and cash equivalents, beginning of period	181,566	221,983	175,347	203,220
Effects of exchange rates on cash and cash equivalents	(94)	(3,890)	(532)	(3,513)
Cash and cash equivalents, end of period	$ 201,608	$ 227,862	$ 201,608	$ 227,862

See accompanying notes to condensed consolidated interim financial statements.

1. Corporate information:

Kinaxis Inc. ("Kinaxis" or the "Company") is incorporated under the Canada Business Corporations Act and domiciled in Ontario, Canada. The address of the Company's registered office is 3199 Palladium Drive, Ottawa, Ontario. The condensed consolidated interim financial statements of the Company as at June 30, 2023 and for the three and six months ended June 30, 2023 and 2022 comprise the Company and its subsidiaries.

Kinaxis is a leading provider of cloud-based subscription software that enables its customers to improve and accelerate analysis and decision-making across their supply chain operations. Kinaxis is a global enterprise with registered offices in the United States, Japan, Hong Kong, The Netherlands, South Korea, United Kingdom, Romania, Mexico, Singapore, France, Ireland, Germany, India, and Canada.

2. Basis of preparation:

(a) Statement of compliance:

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2022. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2022.

The unaudited condensed consolidated financial statements were authorized for issue by the Board of Directors on August 9, 2023.

(b) Significant accounting policies:

The accounting policies applied in these unaudited condensed consolidated interim financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ending December 31, 2022. The accounting policies have been applied consistently to all periods presented except as noted below.

(c) Derivative financial instruments and hedge accounting:

Derivative financial instruments are used to manage the Company's exposure to market risks of certain foreign-currency denominated expenses. Derivative use is limited to the purchase of foreign currency forward contracts. These contracts are measured at fair value and are recognized as either other receivables, or other liabilities during the term of the contract. The Company does not hold or issue derivative financial instruments for trading purposes.

Hedge accounting is applied if at the inception of the hedge, and throughout the hedge period, the changes in the fair value of the foreign currency forward contracts are expected to substantially offset the changes in the fair value of the hedged expense attributable to the underlying currency risk exposure.

The Company has an established strategy and risk management objectives for undertaking hedge transactions. All foreign currency forward contracts have a maximum duration of six months and are linked to specific forecasted expenses. The Company formally assesses at the hedge's inception if the foreign currency contract is expected to offset the changes in the cash flows expected on the foreign denominated expenses.

2. Basis of preparation (continued):

(c) Derivative financial instruments and hedge accounting (continued):

To assess hedge effectiveness during the hedging period, the Company compares the changes in the fair value of the foreign currency forward contract to changes in the fair value of the hedged expense attributable to the currency market risk. The effective portion of the changes in the forward value of the contract, net of taxes, is recognized in OCI, while any ineffective portions are recognized immediately in income. Amounts recorded in OCI are reclassified to income in the same period as the hedged expense.

Hedge accounting is discontinued if the contract ceases to be highly effective, matures, is terminated or sold, or if the Company removes the derivative's hedge designation. Ineffectiveness could occur if a hedged forecasted transaction is no longer probable of occurring as expected. If hedge accounting is discontinued, amounts previously recognized in OCI are reclassified to income.

(d) Use of estimates and judgments:

In preparing these unaudited condensed consolidated interim financial statements, Management makes judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by Management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2022.

3. Business combinations:

On February 11, 2022, the Company acquired 100% of the outstanding shares of a supply chain solutions company in exchange for cash. The acquired company is a provider of algorithm-driven supply chain planning software modules. The operating results of the acquired company have been consolidated into the Company’s results subsequent to the acquisition date. The Company incurred acquisition-related costs of $199 which have been recorded in general and administrative expense.

The purchase price consists of cash consideration of $3,144, adjusted for the acquired company’s closing cash at the date of acquisition and subject to post-closing working capital adjustments, resulting in total consideration of $3,084.

(Expressed in thousands of USD, except share and per share amounts)

3. Business combinations (continued):

The following table presents the purchase price allocation at the acquisition date:

Assets acquired and liabilities assumed:		
Cash and cash equivalents	$	65
Trade and other receivables		423
Right-of-use assets		82
Intangible assets:		
Technology		550
Customer relationships		350
Trade payables and accrued liabilities		(82)
Deferred revenue		(407)
Lease obligation		(82)
Deferred tax liability		(239)
		660
Goodwill		2,424
Total consideration	$	3,084

The trade and other receivables include gross contractual amounts of $381, all of which has been fully collected.

The goodwill is primarily attributable to the expected synergies that will result from the value of integrating the acquired company's intellectual property to the Company's future product direction, and the relevant industry and technical knowledge of the assembled workforce. The goodwill is not deductible for tax purposes.

On August 15, 2022, the Company acquired 100% of the outstanding shares of MP Objects B.V. ("MPO") and all wholly owned subsidiaries. MPO offers a natively unified cloud platform for Multi-Party Orchestration, which optimizes order, inventory, and transportation across dynamic, multi-party networks. The Company incurred acquisition-related costs of $1,688 which have been recorded in general and administrative expense.

The purchase price consists of cash consideration of $33,828 and contingent consideration of 86,335 shares of the Company that had a fair value at the date of acquisition of $9,972. During the three and six months ended June 30, 2023, $5,781 of contingent consideration was settled through the issuance of 43,166 shares and the remaining contingent consideration was remeasured to $6,021 as of June 30, 2023, as outlined in note 18. The remaining contingent consideration will be paid to the selling shareholders upon the delivery of specific contracted backlog within the twelve month interval or upon achieving an agreed trailing twelve month revenue target. The consideration was adjusted for the acquired company's closing cash at the date of acquisition and post-closing working capital adjustments, resulting in total consideration of $44,731.

(Expressed in thousands of USD, except share and per share amounts)

3. Business combinations (continued):

The following table presents the purchase price allocation at the acquisition date:

Assets acquired and liabilities assumed:		
Cash and cash equivalents	$	1,040
Trade and other receivables		1,753
Prepaid expenses		230
Contract acquisition costs		195
Property and equipment		95
Right-of-use assets		1,470
Intangible assets:		
Technology		8,400
Customer relationships		7,600
Trade payables and accrued liabilities		(1,008)
Deferred revenue		(531)
Lease obligation		(1,470)
Deferred tax liability		(2,875)
		14,899
Goodwill		29,832
Total consideration	$	44,731

The trade and other receivables include gross contractual amounts of $986. Trade and other receivables of $801 have been fully collected, with the remaining amounts due provided for in loss allowance as outlined in note 4.

The goodwill is primarily attributable to the expected synergies that will result from the value of integrating the acquired company's intellectual property to the Company's future product direction, customer relationships and the relevant industry and technical knowledge of the assembled workforce. The goodwill is not deductible for tax purposes.

4. Trade and other receivables:

		June 30, 2023		December 31, 2022
Trade accounts receivable	$	76,156	$	121,669
Unbilled receivables		38,254		30,623
Taxes receivable		2,708		1,830
Other		4,311		3,847
		121,429		157,969
Loss allowance		(656)		(312)
	$	120,773	$	157,657

(Expressed in thousands of USD, except share and per share amounts)

4. Trade and other receivables (continued):

There were no trade accounts receivable written off in the three and six months ended June 30, 2023 (year ended December 31, 2022 – $nil).

The following table presents changes in total unbilled receivables:

	Six months ended June 30, 2023	2022
Balance, beginning of period	$ 37,868	$ 15,925
Amounts transferred to trade accounts receivable	(24,098)	(9,639)
Revenue in excess of billings	27,568	24,426
Balance, end of period	$ 41,338	$ 30,712

The following table presents current and non-current unbilled receivables:

	June 30, 2023	December 31, 2022
Current	$ 38,204	$ 30,623
Non-current	3,134	7,245

5. Contract acquisition costs:

	Six months ended June 30, 2023	2022
Balance, beginning of period	$ 24,892	$ 19,691
Additions	5,587	6,646
Amortization	(4,239)	(3,648)
Effects of movements in exchange rates	43	(413)
Balance, end of period	$ 26,283	$ 22,276

Amortization of contract acquisition costs is recorded in selling and marketing expense.

(Expressed in thousands of USD, except share and per share amounts)

6. Property and equipment:

Cost	December 31, 2022	Additions	Effects of exchange rates	June 30, 2023
Land	$ 18	$ —	$ —	$ 18
Computer equipment	65,418	735	(482)	65,671
Computer software	4,066	110	(14)	4,162
Office furniture and equipment	4,521	522	(13)	5,030
Leasehold improvements	24,565	159	(61)	24,663
Total cost	$ 98,588	$ 1,526	$ (570)	$ 99,544

Accumulated depreciation	December 31, 2022	Depreciation	Effects of exchange rates	June 30, 2023
Computer equipment	$ 37,823	$ 5,009	$ (374)	$ 42,458
Computer software	3,082	282	(11)	3,353
Office furniture and equipment	2,126	665	(13)	2,778
Leasehold improvements	3,705	1,080	(46)	4,739
Total accumulated depreciation	$ 46,736	$ 7,036	$ (444)	$ 53,328

Carrying value	June 30, 2023	December 31, 2022
Land	$ 18	$ 18
Computer equipment	23,213	27,595
Computer software	809	984
Office furniture and equipment	2,252	2,395
Leasehold improvements	19,924	20,860
Total property and equipment	$ 46,216	$ 51,852

There were no proceeds associated with asset dispositions in the six months ended June 30, 2023 (year ended December 31, 2022 – no proceeds associated with asset dispositions). Additions in the six months ended June 30, 2023 include $nil (year ended December 31, 2022 – $95) of property and equipment acquired through business combinations, as outlined in note 3.

(Expressed in thousands of USD, except share and per share amounts)

7. Right-of-use assets:

	December 31, 2022	Depreciation	Effects of exchange rates	June 30, 2023
Offices	$ 48,023	$ (2,008)	$ (39)	$ 45,976
Data centres	5,514	(1,617)	(52)	3,845
Total right-of-use assets	$ 53,537	$ (3,625)	$ (91)	$ 49,821

Additions in the six months ended June 30, 2023 include $nil (year ended December 31, 2022 – $1,552) of right-of-use assets acquired through business combinations, as outlined in note 3.

8. Intangible assets:

The estimated useful life of customer relationships is three to nine years, the estimated useful life of technology is four to seven years and the estimated life of internally developed software is five years.

	December 31, 2022	Additions	Amortization	Effect of exchange rates	June 30, 2023
Customer relationships	$ 9,468	$ —	$ (805)	$ 87	$ 8,750
Technology	15,541	—	(1,590)	94	14,045
Internally developed software	3,262	106	(348)	—	3,020
Total intangible assets	$ 28,271	$ 106	$ (2,743)	$ 181	$ 25,815

9. Goodwill:

	Six months ended June 30, 2023	2022
Balance, beginning of period	$ 73,314	$ 39,988
Acquisition (note 3)	—	2,424
Effect of foreign exchange	706	—
Balance, end of period	$ 74,020	$ 42,412

(Expressed in thousands of USD, except share and per share amounts)

10. Trade payables and accrued liabilities:

		June 30, 2023		December 31, 2022
Trade accounts payable	$	11,216	$	10,403
Accrued liabilities		23,129		27,024
Taxes payable		1,179		2,680
	$	35,524	$	40,107

11. Deferred revenue:

		Six months ended June 30,		
		2023		2022
Balance, beginning of period	$	133,467	$	99,239
Deferred revenue from acquisition (note 3)		—		407
Recognition of deferred revenue		(91,406)		(67,569)
Amounts invoiced and revenue deferred		78,200		70,279
Balance, end of period	$	120,261	$	102,356

12. Lease obligations:

The Company's leases are for office space and data centres with lease terms ranging from two to twenty years. These leases contain no renewal options or a renewal option for one, two or five years. The Company has included renewal options in the lease term when it is reasonably certain to exercise the renewal option.

		June 30, 2023		December 31, 2022
Current	$	6,341	$	6,991
Non-current		47,994		49,977
Total lease obligations	$	54,335	$	56,968

The following table presents the contractual undiscounted cash flows for lease obligations as at June 30, 2023:

Less than one year	$	7,858
One to five years		16,820
More than five years		42,461
Total undiscounted lease obligations	$	67,139

(Expressed in thousands of USD, except share and per share amounts)

12. Lease obligations (continued):

The following table presents payments for lease obligations:

	Six months ended June 30, 2023	2022
Principal payments	$ 3,556	$ 3,231
Interest payments	848	929
Variable lease payments	847	893
Short-term lease payments	202	322
Total cash outflow for leases	$ 5,453	$ 5,375
Lease incentives received	—	(3,858)
Net cash outflow for leases	$ 5,453	$ 1,517

13. Share capital:

Authorized

The Company is authorized to issue an unlimited number of Common Shares.

Issued Common Shares

	Six Months Ended June 30, 2023		Six Months Ended June 30, 2022	
	Shares	Amount	Shares	Amount
Shares outstanding, beginning of period	28,052,629	$ 244,713	27,462,834	$ 195,414
Shares issued from exercised options	291,571	25,706	128,879	9,869
Shares issued from vested RSUs	—	—	6,372	598
Shares issued from vested PSUs	20,817	2,297	3,776	417
Shares issued as contingent consideration (note 3, 18)	43,166	5,781	—	—
Shares outstanding, end of period	28,408,183	$ 278,497	27,601,861	$ 206,298

Stock option plans

The Company has outstanding stock options issued under its 2012 Stock Option Plan. No further options may be granted under the 2012 plan. In June 2017, the Company adopted a new Canadian Resident Stock Option Plan and a new Non-Canadian Resident Stock Option Plan (“the Plans”). Stock options granted under the Plans have an exercise price equal to the stock’s TSX price at the date of grant and the maximum term of these options is five years. Options are granted periodically and typically vest over four years.

At June 30, 2023, there were 887,482 stock options available for grant under the Plans.

(Expressed in thousands of USD, except share and per share amounts)
(Unaudited)

13. Share capital (continued):

The following table presents changes in stock options outstanding:

	Six Months Ended June 30, 2023		Year ended December 31, 2022	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Options outstanding, beginning of period	1,720,326	$ 75.53	2,143,375	$ 76.56
Granted	—	—	194,646	125.04
Exercised	(291,571)	67.37	(492,631)	60.32
Forfeited	(17,824)	135.24	(125,064)	149.26
Options outstanding, end of period	1,410,931	$ 78.82	1,720,326	$ 75.53
Options exercisable, end of period	984,794	$ 63.80	1,028,146	$ 59.91

The following table presents information about stock options outstanding at June 30, 2023:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$1 to $30	42,050	1.96	$ 23.79	42,050	$ 23.79
$30 to $60	621,762	2.18	45.95	621,762	45.95
$60 to $90	215,586	1.64	83.70	141,680	83.91
$90 to $120	248,602	2.86	102.29	106,677	101.72
$120 to $150	200,931	3.62	125.49	33,750	129.64
$150 to $180	82,000	2.24	157.90	38,875	157.87
	1,410,931	2.42	$ 78.82	984,794	$ 63.80

(Expressed in thousands of USD, except share and per share amounts)

13. Share capital (continued):

There were no stock options granted during the six months ended June 30, 2023. The per share weighted-average fair value of stock options granted during the year ended December 31, 2022 was $42.82 on the date of grant using the Black Scholes option-pricing model with the following weighted-average assumptions:

	Year ended December 31, 2022
Expected dividend yield	0%
Risk-free interest rate	2.75%
Expected life	three to five years
Estimated volatility	41%

Share Unit Plan

In June 2022, Kinaxis shareholders voted to approve an amendment to the Company's Share Unit Plan to increase the maximum number of shares reserved for issue by 1,250,000. At June 30, 2023, there were 1,337,379 share units available for grant under the Share Unit Plan.

The following table presents changes in share units outstanding:

	Six Months Ended June 30, 2023			Year ended December 31, 2022		
	RSU	PSU	DSU	RSU	PSU	DSU
Units outstanding, beginning of period	180,739	71,378	75,395	96,583	31,640	65,441
Granted	183,254	60,065	9,471	200,865	52,209	9,954
Exercised	—	(13,363)	—	(93,388)	(3,776)	—
Forfeited	(12,097)	(5,823)	—	(23,321)	(8,695)	—
Units outstanding, end of period	351,896	112,257	84,866	180,739	71,378	75,395

Each restricted share unit (RSU) entitles the participant to receive one Common Share. The RSUs generally vest over time in equal annual tranches over two to three years. The weighted-average grant date fair value of the RSUs granted during the six months ended June 30, 2023 was $122.14 per unit (year ended December 31, 2022 – $120.84) using the fair value of a Common Share at time of grant.

Each performance share unit ("PSU") entitles the participant to receive up to two Common Shares based on the Company's total shareholder return relative to the total shareholder return of the constituents of the S&P Software & Services Select Industry Index over two- or three-year vesting periods. The weighted-average grant date fair value of the PSUs granted during the six months ended June 30, 2023 was $199.18 per unit (year ended December 31, 2022 – $164.68). The PSUs were valued using a Monte Carlo pricing model based on the fair value of a Common Share at time of grant and the following assumptions:

(Expressed in thousands of USD, except share and per share amounts)

13. Share capital (continued):

	Six Months Ended June 30, 2023	Year ended December 31, 2022
Expected dividend yield	0%	0%
Risk-free interest rate	3.96%	1.40%
Performance measurement period	three years	two to three years
Estimated volatility	44%	41%
Correlation coefficient to Industry Index	0.58	0.53

Each deferred share unit (DSU) entitles the participant to receive one Common Share. The DSUs vest immediately as the participants are entitled to the shares upon termination of their service. The fair value of the DSUs granted during the six months ended June 30, 2023 was $121.95 per unit (year ended December 31, 2022 – $116.07) using the fair value of a Common Share at time of grant.

Share-based payments expense

The Company estimates a forfeiture rate, based on an analysis of actual forfeitures, to determine share-based payments expense. The following table presents share-based payments expense:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Stock options	$ 1,742	$ 1,877	$ 3,867	$ 4,146
Restricted share units	5,663	3,395	9,405	5,335
Performance share units	1,750	1,231	2,947	1,870
Deferred share units	—	—	1,155	1,155
	$ 9,155	$ 6,503	$ 17,374	$ 12,506

The following table presents share-based payments expense by function:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Cost of revenue	$ 1,628	$ 781	$ 2,829	$ 1,313
Selling and marketing	2,294	1,461	4,158	2,557
Research and development	1,956	1,513	3,489	2,957
General and administrative	3,277	2,748	6,898	5,679
	$ 9,155	$ 6,503	$ 17,374	$ 12,506

(Expressed in thousands of USD, except share and per share amounts)

14. Earnings per share:

The following table summarizes the calculation of the weighted average number of basic and diluted common shares:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Issued Common Shares at beginning of period	28,277,331	27,585,771	28,052,629	27,462,834
Effect of shares issued from exercise of options	41,625	7,827	116,792	64,863
Effect of shares issued from vesting of restricted share units	—	—	—	6,372
Effect of shares issued from vesting of performance share units	—	—	12,306	3,776
Weighted average number of basic Common Shares	28,318,956	27,593,598	28,181,727	27,537,845
Effect of share options on issue	—	—	—	757,322
Effect of share units on issue	—	—	—	183,489
Weighted average number of diluted Common Shares	28,318,956	27,593,598	28,181,727	28,478,656

For the six months ended June 30, 2022, 522,813 options and no share units were excluded from the weighted average number of diluted common shares as their effect would have been anti-dilutive.

15. Revenue:

The following table presents revenue of the Company:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
SaaS	$ 64,104	$ 51,109	$ 127,249	$ 100,429
Subscription term license	7,086	378	14,114	23,852
Professional services	29,991	25,386	56,559	46,844
Maintenance and support	4,591	3,927	8,980	7,783
	$ 105,772	$ 80,800	$ 206,902	$ 178,908

(Expressed in thousands of USD, except share and per share amounts)

15. Revenue (continued):

The following table presents revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at June 30, 2023:

	Remainder of 2023	2024	2025 and thereafter	Total
SaaS	$ 127,435	$ 204,977	$ 210,065	$ 542,477
Maintenance and support	9,294	16,149	16,238	41,681
Subscription term license	2,284	381	56	2,721
	$ 139,013	$ 221,507	$ 226,359	$ 586,879

16. Depreciation and amortization:

The following table presents depreciation expense of property and equipment and right-of-use assets by function:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Cost of revenue	$ 2,704	$ 2,820	$ 5,629	$ 5,673
Selling and marketing	2	—	4	1
Research and development	454	716	968	1,437
General and administrative	2,026	1,901	4,060	3,657
	$ 5,186	$ 5,437	$ 10,661	$ 10,768

The following table presents amortization expense of intangible assets by function:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Cost of revenue	$ 960	$ 416	$ 1,940	$ 810
General and administrative	371	208	803	397
	$ 1,331	$ 624	$ 2,743	$ 1,207

(Expressed in thousands of USD, except share and per share amounts)

17. Statement of cash flows:

The following table presents changes in operating assets and liabilities:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Trade and other receivables	$ (3,343)	$ 18,837	$ 41,519	$ (156)
Prepaid expenses	1,750	55	(729)	(4,434)
Contract acquisition costs	(548)	(197)	(1,343)	(3,169)
Trade payables and accrued liabilities	6,883	(2,226)	(2,070)	(5,603)
Deferred revenue	(3,036)	(16,349)	(12,535)	6,415
Provisions	(119)	(184)	(296)	(349)
	$ 1,587	$ (64)	$ 24,546	$ (7,296)

18. Financial instruments:

(a) Fair value of financial instruments:

The Company measures the fair value of its financial assets and financial liabilities using a fair value hierarchy. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Three levels of inputs may be used to measure fair value. The different levels of the fair value hierarchy are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Other techniques for which inputs are based on quoted prices for identical or similar instruments in markets that are not active, quoted prices for similar instruments in active markets, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the asset or liability;

Level 3: Techniques which use inputs that have a significant effect on the recognized fair value that require the Company to use its own assumptions about market participant assumptions.

The carrying amounts of short-term investments, trade and other receivables, unbilled receivables, and trade payables and accrued liabilities are recorded at amortized cost and approximate fair value due to the short-term maturity of these instruments.

The fair value of foreign currency forward contracts was determined based on Level 2 inputs, which included period-end mid-market quotations for each underlying contract as calculated by the financial institution with which the Company has transacted. The quotations are based on bid/ask quotations and represent the discounted future settlement amounts based on current market rates.

The fair value of the contingent consideration has been determined by applying a discounted cash flow technique on the expected future value of shares to be issued and has been recorded as a Level 3 liability as the inputs are not observable and there is no market based activity.

As at June 30, 2023 and December 31, 2022, financial instruments measured at fair value in the consolidated interim statement of financial position were as follows:

(Expressed in thousands of USD, except share and per share amounts)

18. Financial instruments (continued):

	June 30, 2023		December 31, 2022	
	Fair value hierarchy	Fair value	Fair value hierarchy	Fair value
Assets:				
Foreign currency forward contracts	Level 2	$ 314		$ —
Liabilities:				
Contingent consideration	Level 3	6,021	Level 3	9,146

The Company designates foreign currency forward contracts as cash flow hedges when all the requirements in IFRS 9, Financial Instruments are met. The Company's currency pair used for cash flow hedges is US dollar / Canadian dollar. The notional principal of the foreign exchange contracts was $33,000 CAD as at June 30, 2023 (December 31, 2022 - $nil CAD).

Reconciliation of Level 3 financial instruments

The following table shows a reconciliation from the opening balance to the closing balance for all Level 3 financial instruments:

	Contingent Consideration	Other expense
Balance, December 31, 2022	$ 9,146	$ —
Settlement of contingent consideration	(5,781)	—
Net change in fair value (unrealized)	1,602	(1,602)
Net change in fair value (realized)	1,054	(1,054)
Balance, June 30, 2023	$ 6,021	$ (2,656)

(Expressed in thousands of USD, except share and per share amounts)

18. Financial instruments (continued):

(b) Credit risk:

The following table presents maximum exposure to credit risk for trade accounts receivable, net of loss allowances, by geographic region:

		June 30, 2023		December 31, 2022
United States	$	38,097	$	77,174
Europe		30,160		35,828
Asia		5,007		4,678
Canada		2,286		3,677
	$	75,550	$	121,357

The following table presents aging of trade accounts receivable:

		June 30, 2023		December 31, 2022
Current	$	59,011	$	91,360
Past due:				
0 – 30 days		8,119		19,355
31 – 60 days		3,528		6,126
Greater than 60 days		4,892		4,516
	$	75,550	$	121,357

At June 30, 2023, no customers individually accounted for greater than 10% of total trade accounts receivable (December 31, 2022 – no customers). For the six months ended June 30, 2023, no customers individually accounted for greater than 10% of revenue (six months ended June 30, 2022 – no customers).

19. Segmented information:

The Company’s Chief Executive Officer (“CEO”) has been identified as the chief operating decision maker. The CEO evaluates the performance of the Company and allocates resources based on the information provided by the Company’s internal management system at a consolidated level. The Company has determined that it has only one operating segment: the design, development, marketing and sale of supply chain management software and solutions.

(Expressed in thousands of USD, except share and per share amounts)

19. Segmented information (continued):

Geographic information

The following table presents external revenue on a geographic basis:

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
United States	$ 63,562	$ 44,197	$ 121,711	$ 107,540
Europe	30,713	24,921	60,629	48,755
Asia	9,553	9,560	19,936	18,311
Canada	1,944	2,122	4,626	4,302
	$ 105,772	$ 80,800	$ 206,902	$ 178,908

The following table presents property and equipment on a geographic basis:

	June 30, 2023	December 31, 2022
Canada	$ 29,884	$ 32,798
United States	8,732	10,368
Asia	3,896	4,745
Europe	3,704	3,941
	$ 46,216	$ 51,852

The following table presents right-of-use assets on a geographic basis:

	June 30, 2023	December 31, 2022
Canada	$ 40,237	$ 42,217
Asia	5,868	6,833
United States	2,134	2,658
Europe	1,582	1,829
	$ 49,821	$ 53,537

(Expressed in thousands of USD, except share and per share amounts)

19. Segmented information (continued):

The following table presents intangible assets on a geographic basis:

	June 30, 2023	December 31, 2022
Europe	$ 14,717	$ 15,787
Canada	11,098	12,484
	$ 25,815	$ 28,271

20. Contingencies and commitments:

The Company is involved in litigation with a competitor, whereby the competitor has made certain allegations concerning patent infringement. The Company will accrue a liability if the Company determines that it is more likely than not that a present obligation exists that will result in an outflow of resources and the amount of the obligation can be reliably estimated. Significant judgment is required in both the determination of probability and the determination as to whether an amount of an obligation is reliably estimable. The Company has assessed that its defense against these allegations will more likely than not be successful and a present obligation does not exist. At June 30, 2023, the Company has not recorded a liability regarding these allegations.

The Company is required to apply judgment with respect to any potential loss or range of loss in connection with litigation. The outcome of litigation and claims is intrinsically subject to considerable uncertainty.