

Kinaxis Inc.



- I. Strong Financial Performance
- II. Total Addressable Market Expansion
- III. Aggressive Growth Strategy

Current Price

\$169.93

Price Objective

\$240.00

Implied Upside

+41%

Company Overview

Kinaxis



Company Summary

- Kinaxis is a cloud-based software provider specializing in supply chain management
- Kinaxis combines human intelligence with AI and concurrent planning to provide customers with effective planning solutions
- Providing services to companies worldwide, specifically in United States, Canada, Europe, and Asia
- Over 65% of Kinaxis’ revenues are contributed by companies in the United States

Stock Price	Market Cap	Enterprise Value	LTM TEV/Rev.
\$169.93	\$4.88B	\$4.69B	16.5x

Product Offerings



Sales & Operations Planning



Order Fulfillment



Inventory Management



Demand Planning

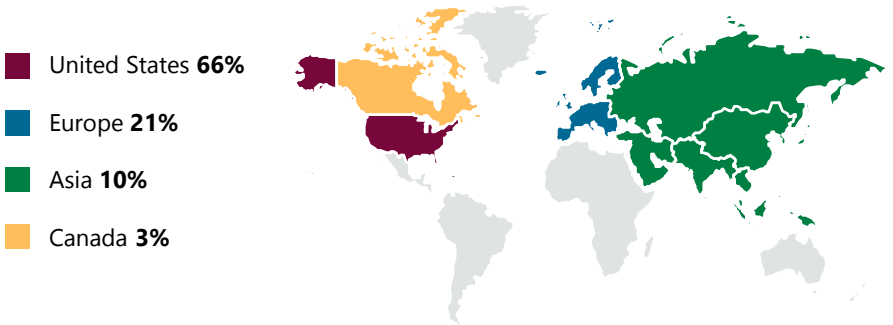


Supplier Collaboration



Project Management

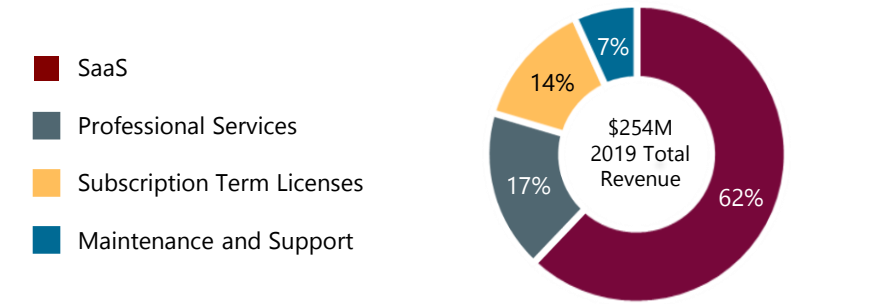
Revenue Breakdown- Geography



Growing Markets

- In 2019, Kinaxis roughly doubled their global sales team size, placing strong emphasis on expansion in Europe and Asia
- Majority of sales come from US based corporate clientele

Revenue Breakdown- Products



SaaS

- SaaS is the largest and fastest growing revenue stream
- SaaS is the main driver of Kinaxis revenue due to the wide market focus within the industry and strong client subscription base

Kinaxis offers cutting edge diverse products, and has the global presence to meet demand

Source: Kinaxis, Refinitiv, Bloomberg, Statista.
Note: Information as of November 2020; metrics are in C\$ millions unless otherwise stated.

Further Analysis

Competitive Advantage



Competitive Advantage



Kinaxis is recognized as a global leader in supply chain management software



Supply chain management is becoming one of companies top priorities for taking their company to the next level

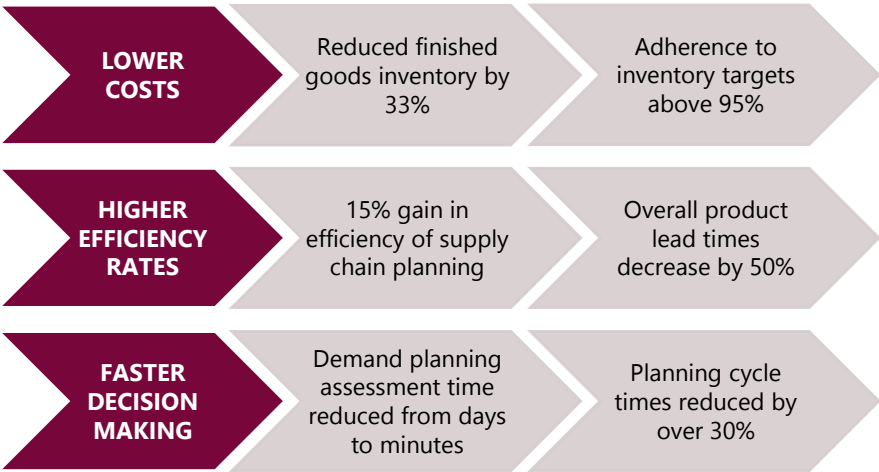


Kinaxis has faced rapidly growing revenue, while continuously being a highly profitable company



Kinaxis has a strong R&D team leading to advanced product innovation & product development

Customer Results



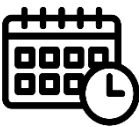
Trusted Brands Using Kinaxis

Aerospace	Automotive	High-Tech	Life Sciences	Consumer
Honeywell	Ford	Lenovo	Dr.Reddy's	P&G
LOCKHEED MARTIN	NISSAN	Celestica	IPSEN	Unilever
Raytheon	JOHNSON ELECTRIC	JABIL	Santen	HermanMiller

Response to COVID-19

Rapid Response

- In today's unprecedented times, many companies are facing extreme volatility when it comes to supply and demand
- Rapid Response allows companies to identify issues quickly and help respond to these situations
- Actively engaged in negotiations with the Canadian government, discussing the implementation of Kinaxis products to control the volatile supply and demand; within COVID response plans



Reduced planning cycle times



Increasing forecasting accuracy



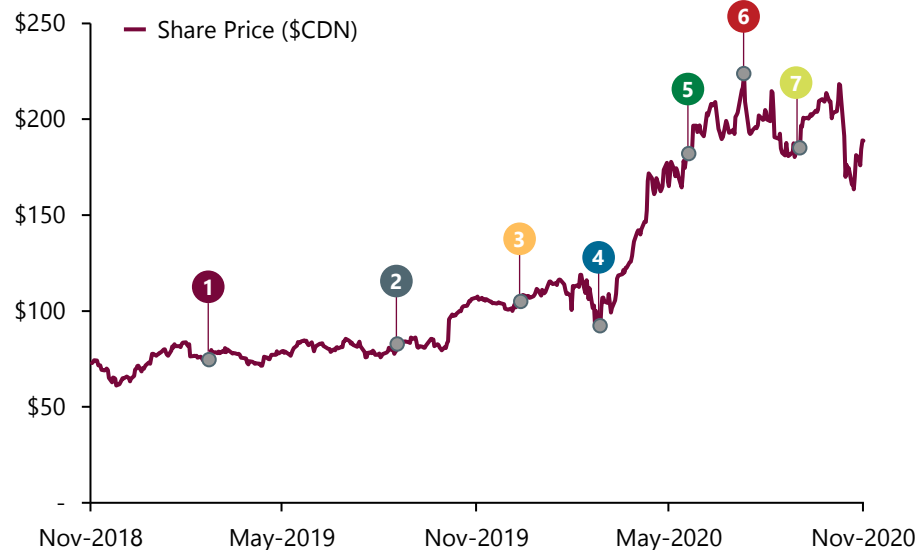
Kinaxis is able to quickly adapt business models and products, to meet changing business demands

Financial Overview



Steady Growth

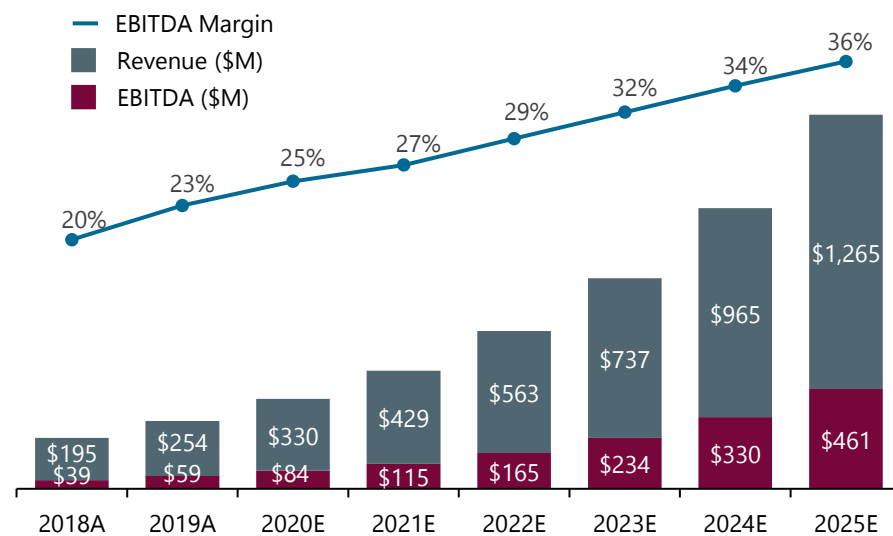
Share Price Last 2 Years



Key Events

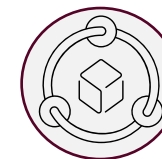
Date	Headline
1 Jan 8, 2019	EY and Kinaxis Join Forces to Drive Supply Chain Reinvention for The Digital Age
2 Mar 19, 2019	Kinaxis Closes Deal with Lenovo to Improve Customer Service
3 Sep 13, 2019	Honda Selects Kinaxis to Manage its Automotive Supply Chain
4 Mar 23, 2020	Market's Hit Multi-Year Lows Due to Covid-19
5 Jun 15, 2020	Kinaxis Announces Plans to Acquire Rubikloud
6 Aug 6, 2020	TD Securities Initiates Coverage for Kinaxis, Issues Buy Rating
7 Sep 28, 2020	Kinaxis' John Sicard Named Ottawa's 2020 CEO of the Year

Projected Revenue and EBITDA



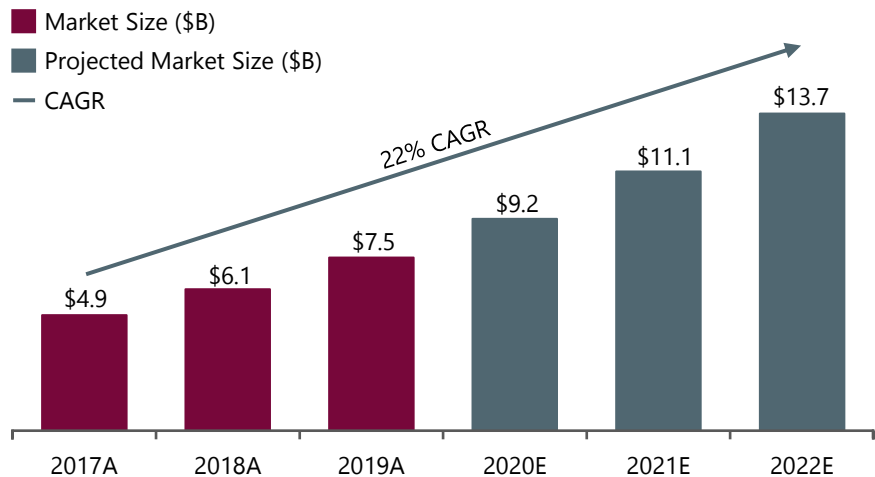
Revenue and EBITDA Growth

- COVID-19 stimulated growth as companies were looking to decitizenize
- Substantial revenue growth is due to the acquisition of new clients
- SaaS revenue is up +26% this quarter
- Increased profit projected due to revenue growth and increasing margins
- AA Credit Rating
- Kinaxis has no debt

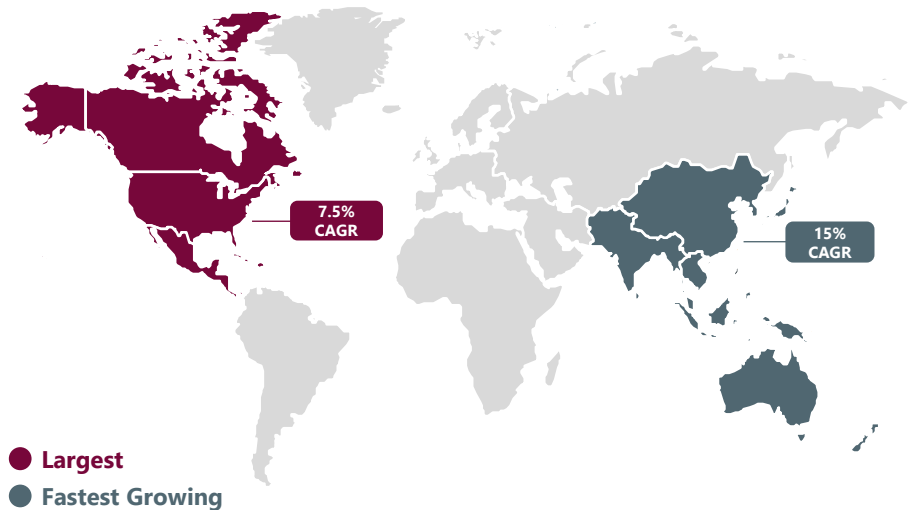


Kinaxis Has Experienced Steady Growth Driven By Client Aquisition

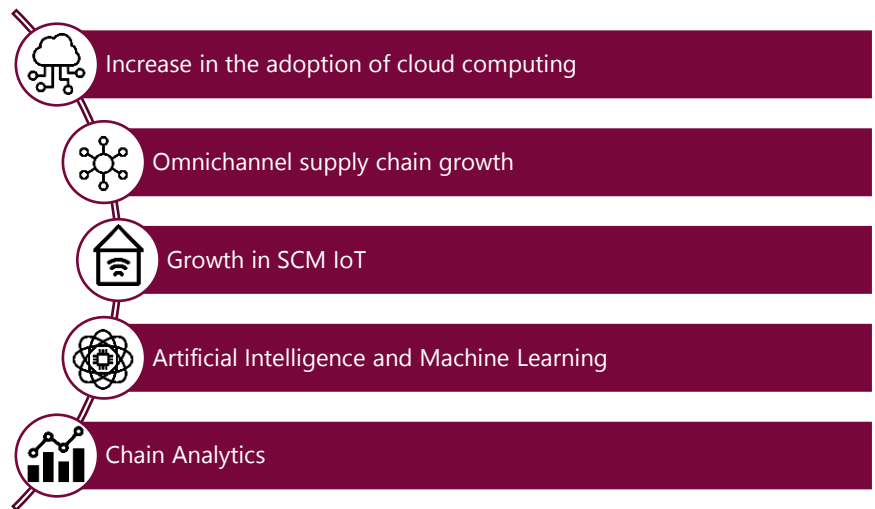
Market Size (Sales)



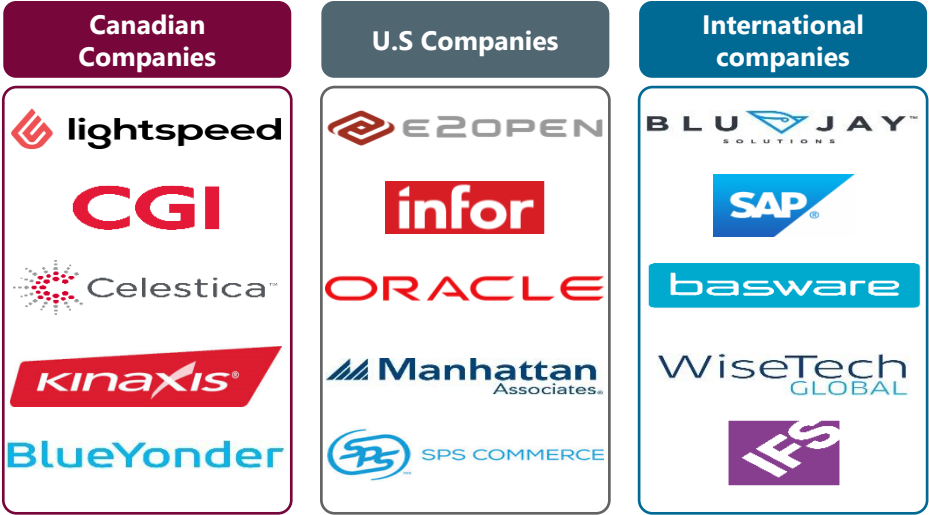
Market Geographic Breakdown



Emerging Trends



Key Players



At a Global CAGR of 22%, the Cloud-Based SCM is a vertical industry growing very rapidly

Source: Kinaxis Investor Relations, and publicly available information.
Note: Information as of November 2020; metrics are in C\$ millions unless otherwise stated.

Emerging New Technologies

Artificial Intelligence

Allows to enhance and automate decision making

Internet of Things

Increases device connectivity, while reducing costs

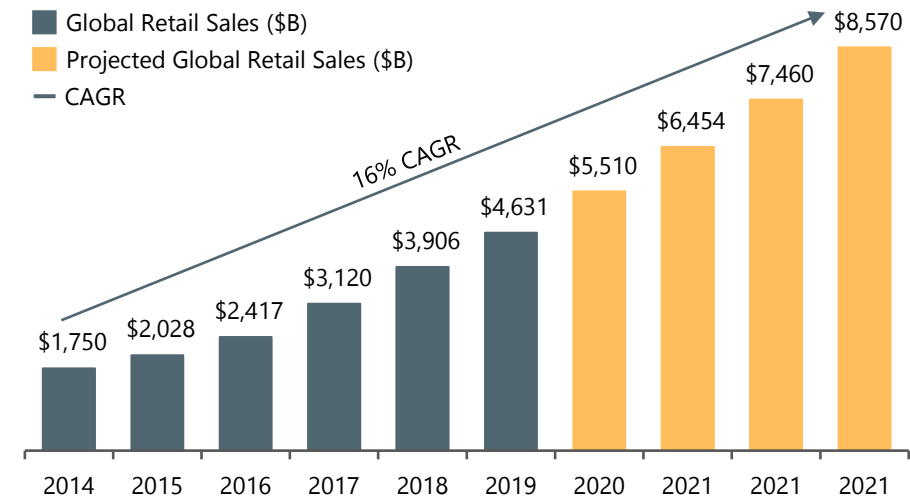
Blockchain

Enables more transparent and accurate tracking

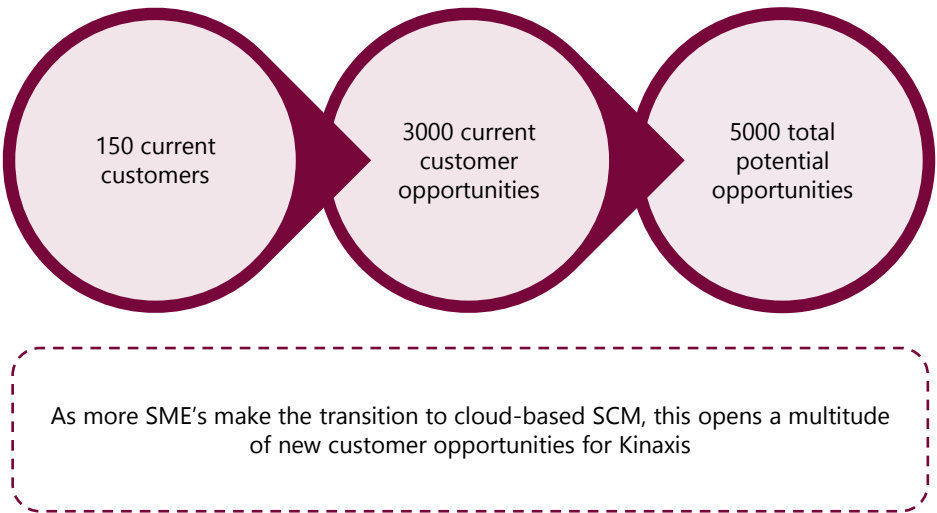
Machine Learning

Ability to analyze trends and generative predictive insights

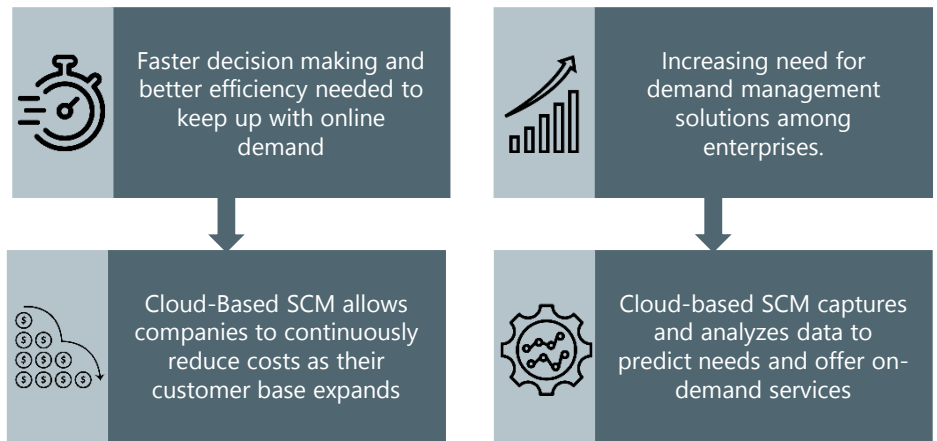
Key Driver: Increased Growth In The E-Commerce Retail Industry



Market Opportunities



Kinaxis Solutions to Increasing Needs of Retail Businesses



Increase in consumption and need for cost optimization is driving the demand for cloud-based SCM

Source: Kinaxis Investor Relations, Sedar, Statista, and publicly available information.
Note: Information as of November 2020; metrics are in C\$ millions unless otherwise stated.

Investment Thesis 1

Strong Financial Performance



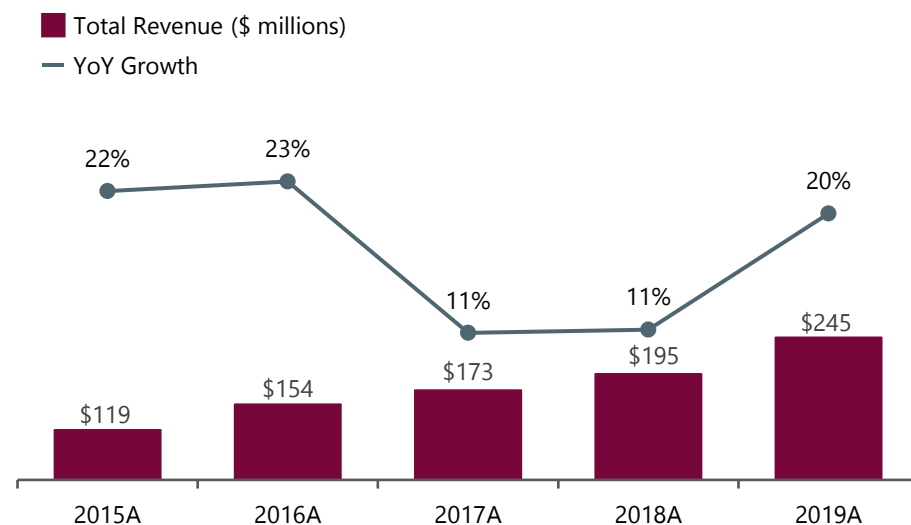
Balance Sheet Breakdown



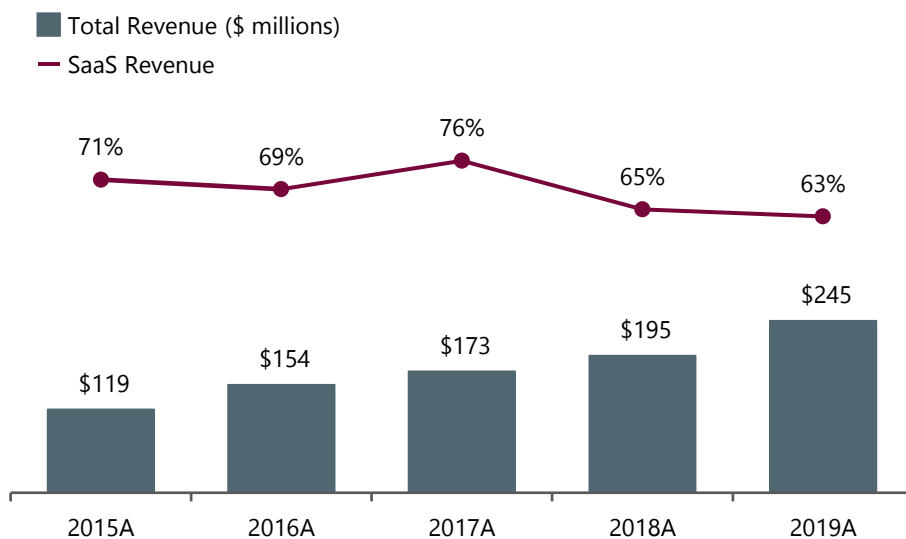
Debt Free

Kinaxis maintains a low leveraged business, with only 17% of assets making up liabilities which are mostly unearned revenues

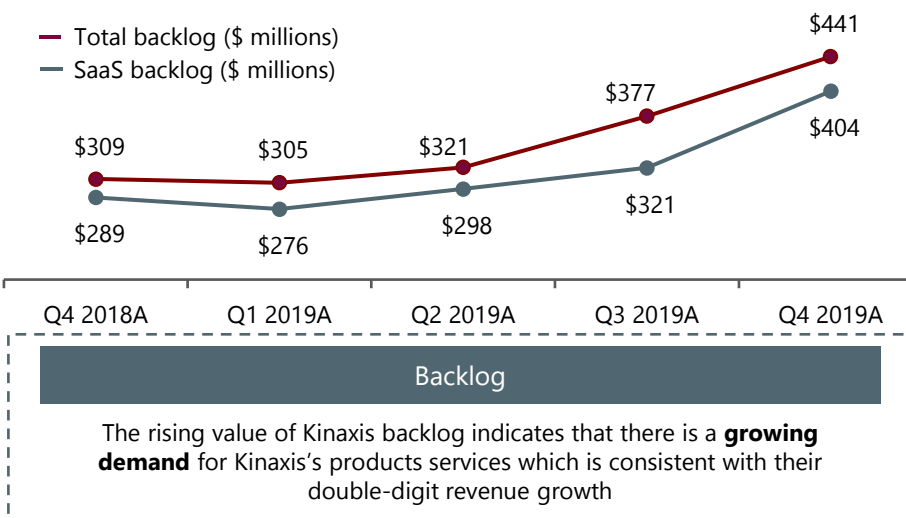
Consistent Double Digit Revenue Growth



Strong Recurring Revenue



Strong Consumer Backlog



Backlog

The rising value of Kinaxis backlog indicates that there is a **growing demand** for Kinaxis's products services which is consistent with their double-digit revenue growth

Kinaxis maintains a strong financial position, indicating a lower risk investment and a very strong ability to generate future cash flows

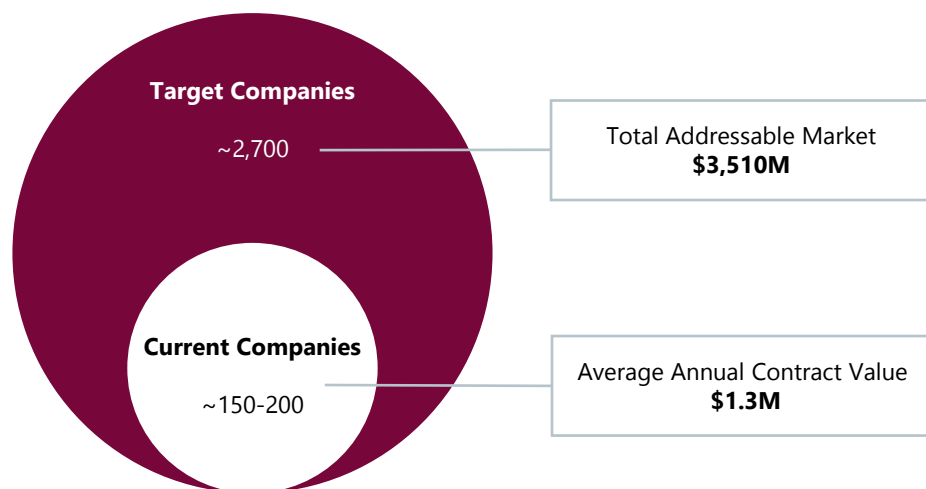
Source: Kinaxis Investor Relations, and publicly available information.

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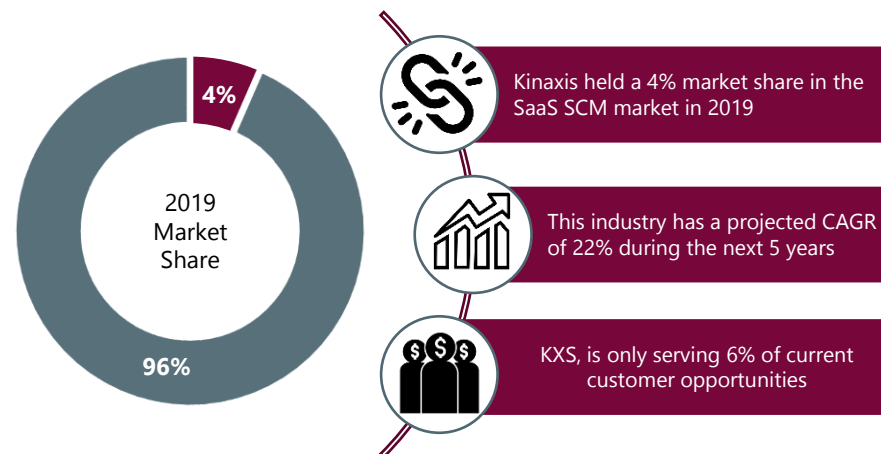
Investment Thesis 2

Total Addressable Market Expansion

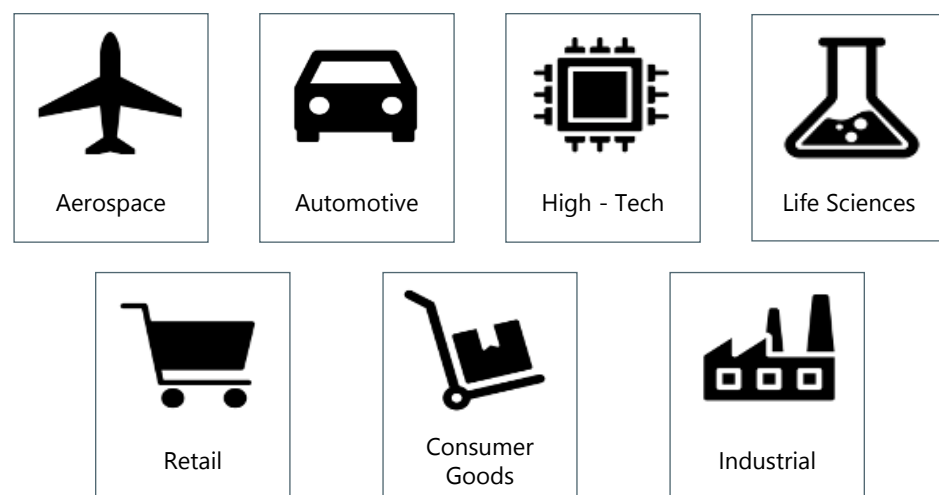
TAM



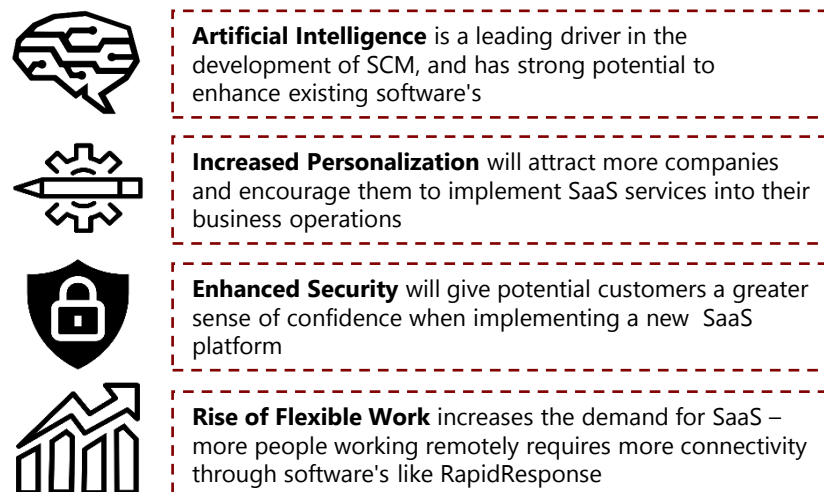
Current Market Position- SaaS Supply Chain Management



Industry Diversification



Market Growth Strategies



Kinaxis' large unpenetrated TAM will serve as a runway for revenue growth and provides a positive outlook for the firms future prospects

Introduction of Third Party Developers



Kinaxis has allowed access for third-party software developers to build applications that work with RapidResponse



Allows for custom data models to service specific client needs



Developers can create applications, platforms, and solutions that run natively or harmonize with RapidResponse



Kinaxis is the first and only concurrent planning platform that lets developers create custom, interconnected applications and algorithms with secure certification

Rubikloud Acquisition



- On June 15th, 2020, Kinaxis acquired Rubikloud for \$60M, paid in cash
- Rubikloud is a retail intelligence platform focusing on artificial intelligence management and decision-making processes
- This strategic acquisition enabled Kinaxis to reach new clients and develop more efficient processes with AI and Machine Learning

Acquisition of Rubikloud

Introduction of AI Capabilities

Entry to Retail Industry

1000+ New Potential Clients

Developing Process

Specific Business Problem Arises

No Basic Software Solution is Available

Build or Find Third-Party Solution

Customized Problem-Solving Experience

Simplified Business Processes Through Kinaxis

The intuitive, user-friendly platform can be utilized to differentiate from peers and provide a competitive advantage

The Rubikloud Process

1

Machine Learning Forecasting

2

Promo Effectiveness and Insights

3

Scenario Based Optimization

4

Fully Automated Decision Making

Trusted Partners



Third party access to development and new processes from Rubikloud, provide a strong competitive advantage

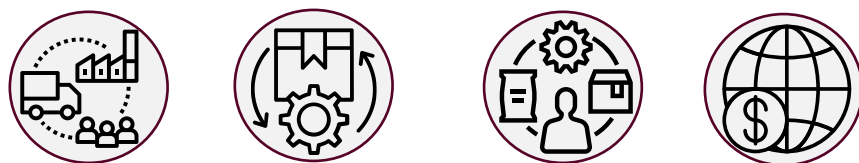
Comparable Analysis

Public Comparable Companies (\$M unless stated otherwise)

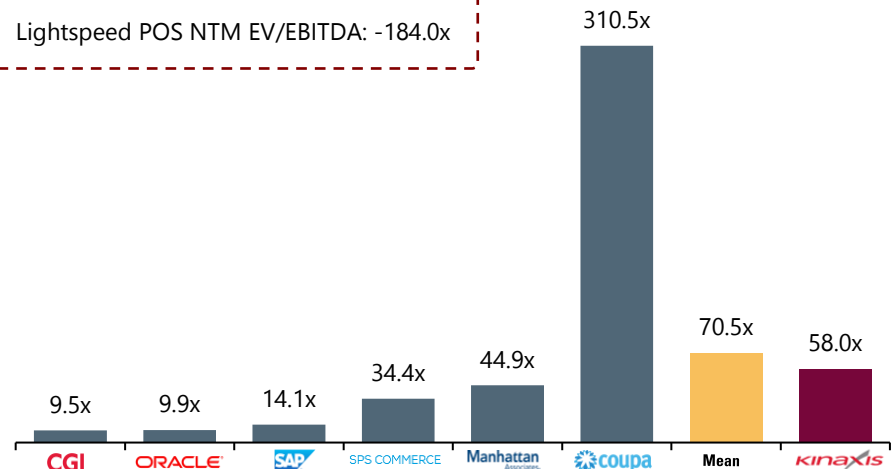
Company Name	Ticker	Equity	Enterprise	Revenue		Revenue Growth		EBITDA		EV / EBTIDA		EBITDA Margin		FCF	Net Debt /	EV /
		Value (\$B)	Value (\$B)	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	Yield	EBITDA	Sales
CGI INC	GIB	\$24.1	\$26.4	\$12,164	\$12,667	44.0%	4.1%	\$2,424	\$2,500	10.9x	9.6x	9.5%	3.0%	7.0%	1.4	2.0x
Lightspeed POS Inc	LSDP	\$5.5	\$4.8	\$121	\$177	55.8%	46.8%	(\$58)	(\$55)	N/A	N/A	(18.0%)	(12.4%)	N/A	N/A	25.3x
Oracle Corp	ORCL	\$223.6	\$258.8	\$50,794	\$50,794	(1.3%)	2.1%	\$24,393	\$25,708	10.6x	10.1x	48.0%	49.6%	9.0%	2.1	5.2x
SAP SE	SAPG	\$192.7	\$194.2	\$36,784	\$39,755	(1.0%)	1.2%	\$13,792	\$14,339	14.1x	13.9x	32.7%	33.6%	3.0%	1.8	4.7x
Coupa Software	COUP	\$28.8	\$28.4	\$507	\$648	49.7%	28.0%	\$47	\$63	598.7x	210.8x	9.4%	9.8%	0.0%	4.3	48.0x
SPS Commerce Inc	SPDC	\$4.7	\$3.9	\$403	\$441	11.0%	9.5%	\$111	\$94	34.8x	-	27.6%	27.8%	3.0%	(4.1)	10.6x
Manhattan Associates	MANH	\$7.7	\$7.6	\$725	\$606	(6.6%)	5.0%	\$189	\$132	39.9x	-	25.5%	21.8%	3.0%	(1.5)	9.9x
Mean		\$69.6	\$74.9	\$14,500	\$15,013	21.7%	13.8%	\$5,843	\$6,112	118.2x	61.1x	19.3%	19.0%	4.0%	0.7	15.1x
Median		\$24.1	\$26.4	\$725	\$648	11.0%	5.0%	\$189	\$132	24.4x	12.0x	25.5%	21.8%	3.0%	1.6	9.9x
Kinaxis	KXS	\$5.7	\$5.4	\$330	\$43	30.0%	30.0%	\$58	\$68	65.2x	-	24.3%	23.5%	1.0%	(3.1)	15.2x

Discussion

- Kinaxis revenue is projected to grow 30% in 2020, more than double the industry's median revenue growth
- While three comparable companies; Coupa Software, CGI Inc, and Lightspeed POS Inc, have had higher 2020 revenue growth, Kinaxis' growth is more profitable as their EBITDA margin is significantly higher
- Solvency is not an issue for Kinaxis as they have a negative Net Debt / EBITDA ratio due to their current assets exceeding their total liabilities by over \$205 million



NTM EV/EBITDA VS Peers



Kinaxis has a strong solvency position, profitability, and revenue growth

DCF Valuation

Kinaxis' Valuation Using a Constant Revenue Growth DCF



Discounted Cash Flows

	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
EBITDA	39.4	43.8	64.6	59.4	79.8	122.7	198.5	310.5	487.1	745.9	1,075.6
Less: D&A	4.7	16.8	21.6	22.8	24.6	28.1	32.2	37.6	45.7	56.9	72.1
EBIT	34.7	27.0	43.0	36.6	55.2	94.6	166.3	272.8	441.4	689.0	1,003.5
Less: Tax	(9.6)	(10.5)	(15.8)	(13.2)	(19.3)	(32.3)	(56.0)	(91.1)	(146.8)	(228.5)	(332.3)
NOPAT	25.1	16.6	27.2	23.4	35.9	62.3	110.3	181.7	294.7	460.6	671.3
Add: D&A	4.7	16.8	21.6	22.8	24.6	28.1	32.2	37.6	45.7	56.9	72.1
Less: CAPEX	(13.2)	(16.0)	(15.5)	(11.9)	(15.2)	(15.2)	(20.5)	(27.7)	(37.4)	(50.4)	(68.1)
Less: NWC Changes	(3.4)	(17.1)	(12.2)	(2.2)	(4.2)	(6.3)	(8.9)	(12.0)	(16.1)	(21.8)	(29.4)
Unlevered FCF	39.4	43.8	64.6	32.1	41.1	68.9	113.1	179.7	286.9	445.3	645.9
Discount Rate	-	-	-	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
PV of UFCF	-	-	-	29.6	34.9	54.0	81.6	119.5	175.8	251.5	336.3

Target Price

Exit Multiple		Gordon Growth	
Final Year EBITDA	1,076	WACC	8.5%
EBITDA Multiple	9.5x	Final Year UFCF	646
Terminal Value	10,218	LT Growth Rate	2.0%
Discount Rate	8.5%	Discount Factor	0.52
PV of Terminal Value	5,320	Terminal Value	10,135
PV of Cash Flow	1,083	PV of Terminal Value	5,277
Add: Cash	180	PV of Cash Flow	1,083
Less: Debt	17	Add: Cash	180
Equity Value	6,601	Less: Debt	17
Shares Outstanding	27 M	Equity Value	6,557
Target Share Price	\$244.47	Shares Outstanding	27 M
		Target Share Price	\$242.87

Sensitivity Analysis

		Terminal Growth						
		1.40%	1.60%	1.80%	2.00%	2.20%	2.40%	2.60%
WACC	7.5%	\$272.74	\$282.40	\$292.06	\$301.72	\$311.37	\$321.03	\$330.69
	8.0%	\$247.15	\$256.55	\$265.94	\$275.33	\$284.73	\$286.30	\$294.13
	8.5%	\$225.30	\$231.77	\$238.23	\$242.87	\$251.17	\$257.63	\$264.01
	9.0%	\$206.47	\$211.85	\$217.23	\$222.61	\$227.99	\$233.37	\$238.75
	9.5%	\$190.10	\$194.63	\$199.17	\$203.70	\$208.24	\$212.77	\$217.31
		Exit Multiple						
		8.0x	8.5x	9.0x	9.5x	10.0x	10.5x	11.0x
WACC	7.5%	\$228.49	\$239.67	\$250.83	\$261.99	\$273.16	\$284.33	\$295.50
	8.0%	\$220.00	\$230.89	\$241.78	\$252.67	\$263.56	\$274.45	\$285.34
	8.5%	\$213.36	\$223.73	\$234.10	\$244.47	\$254.85	\$265.30	\$275.59
	9.0%	\$206.92	\$256.33	\$246.45	\$236.57	\$226.69	\$218.80	\$266.22
	9.5%	\$199.41	\$209.05	\$218.68	\$228.32	\$237.96	\$247.60	\$257.23

Based on our DCF valuation we derived a price objective of \$240.00, implying a 41% discount to intrinsic value

Catalysts & Risks

Opportunities for Growth & Common Concerns

Catalysts



SaaS Growth in SCM Industry

- SaaS market size in supply chain management industry is projected to grow at a CAGR of 22%
- The market for SCM SaaS was \$4.9B in 2017 and is on pace for \$13.7B in 2022



Positive Cash Flows YoY – Room for R&D

- Positive cash flow growth has been realized over past 5 years
- An average of 17.1% of revenue is spent on R&D
- Will allow for growth in product lines and increased ability to compete with peers



Customer Retention and Subscription Growth

- Extreme focus placed on customer retention that displays an above 100% net revenue retention rate
- Subscription revenue growth is attributed to new accounts (65%) and existing accounts (35%)
- Global usage rate of Kinaxis grew 33% in 2019

Risks



Client Uncertainty

- The COVID-19 pandemic has created disruptions for companies globally
- Clients of Kinaxis have faced insolvency and shutdowns, creating uncertainty in the needs for Kinaxis' services
- Companies have put off new projects and some were unable to renew subscriptions due to the current environment



Privacy/Security Concerns

- The growing concern for privacy and security risks poses challenges when dealing with company data
- Changing privacy laws can create serious legal issues if any data is mishandled

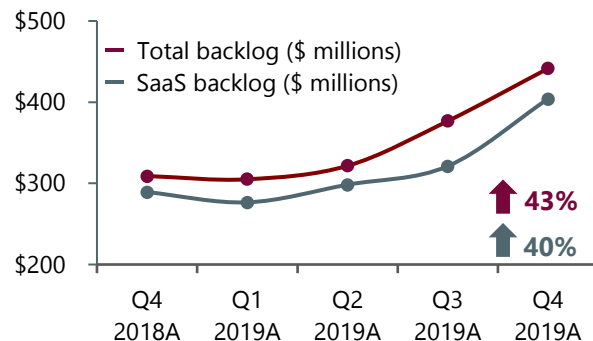


Competitive Challenges from Larger Firms

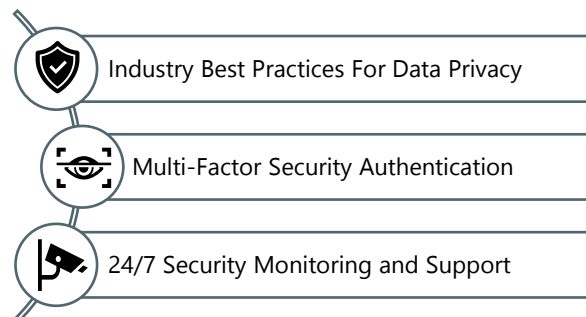
- Larger scale competitors such as Oracle and SAP have the advantage over smaller cap firms like Kinaxis
- These firms can win potential clients of Kinaxis through brand recognition and proven reliability

Mitigating Factors

Revenue Backlog



Enhanced Precaution



Specialized Products



- Kinaxis is focused on providing specific services to meet individual needs within different industries
- This unique client focus differentiates Kinaxis from larger firms that focus on holding the largest market share

Catalysts will provide numerous growth opportunities, while risks are only common concerns with low impact

ESG Perspective

Kinaxis: Profitable and Socially Responsible

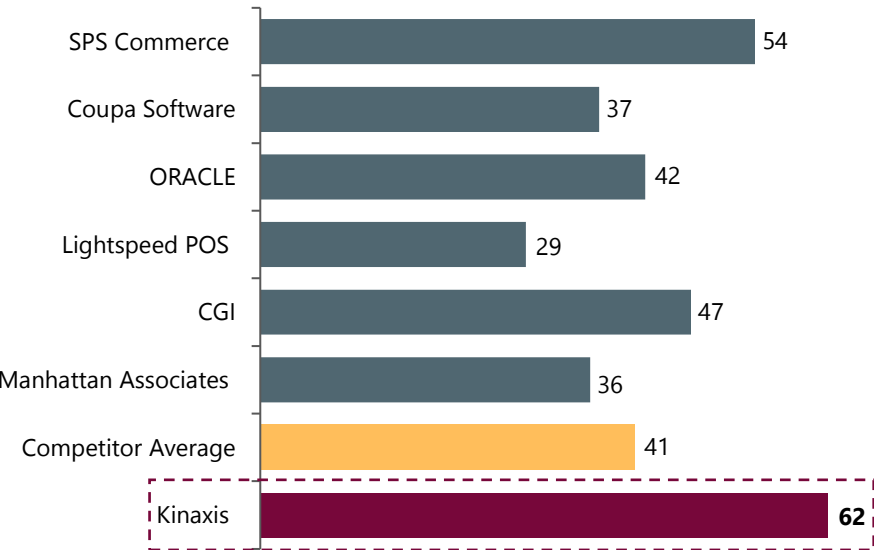


ESG Overview

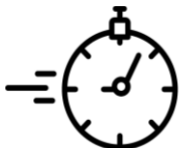
- Kinaxis has, “been on a long journey to constantly improve [their] environmental, social and governance (ESG) performance”
- ~38% of all Kinaxis employees are women
- >40% of Kinaxis employees identify as visible minorities
- ~97% of Kinaxis employees feel they are an accepted member of their group
- ~92% of employees feel their opinion and perspective are valued and included in decision-making



Comparable Companies ESG Scores



Initiative & Exposure



Rapid Response

Using a single planning platform, Kinaxis streamlines processes resulting in less waste



Privacy

Kinaxis is committed to protecting customer privacy and data



Security

Kinaxis prides itself on using highly advanced internet securities technology



Diversity / Inclusion

Kinaxis creates programs that support an inclusive and diverse environment

Activity

Scale

Issued 13 patents pertaining to key, differentiated aspects of the platform.

Company – Wide

Company – Wide

Company –Wide

Kinaxis is committed to growing the company, but considering the triple bottom-line approach

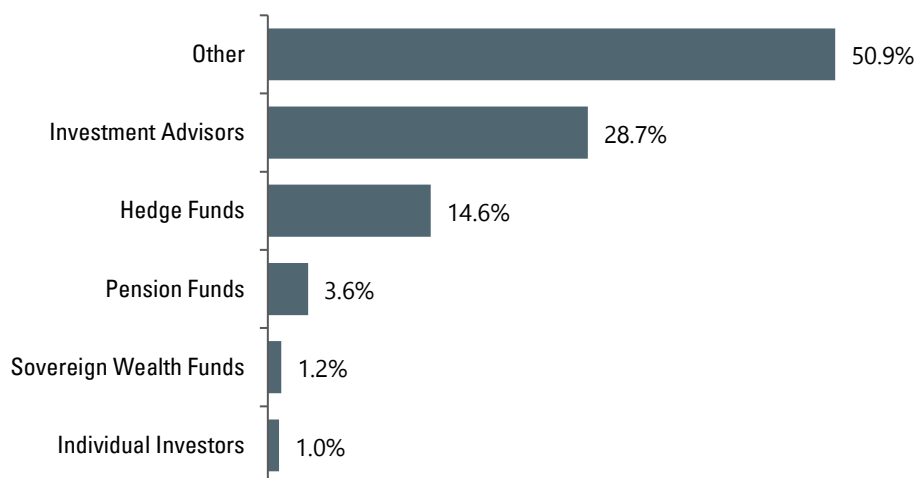
Conclusion

Kinaxis Is Currently Undervalued and Is Poised For an Upside Breakout

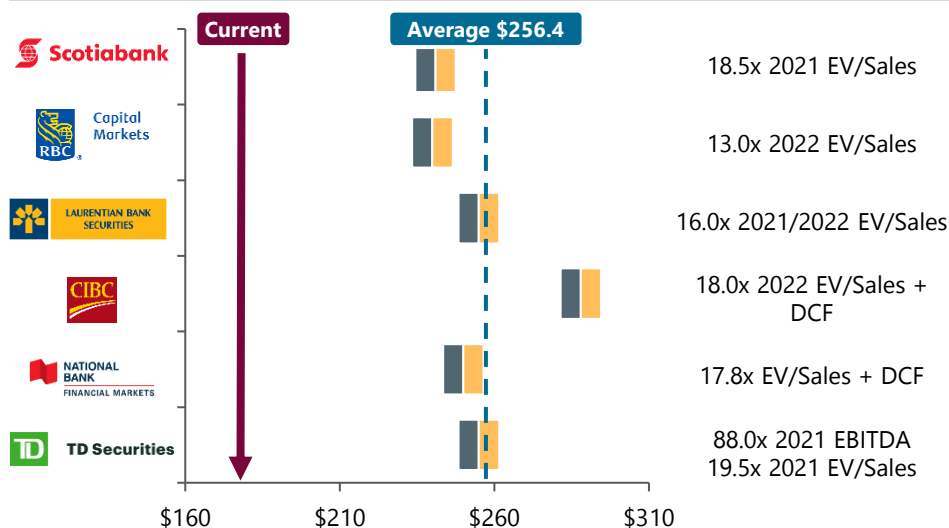
Investment Summary

✓ COVID-19 Impact	COVID-19 underscored importance of robust SCM
✓ Financial Performance	Strong revenue growth paired with consistent FCF margins, EBITDA margins, and no debt
✓ Large TAM	Large unpenetrated TAM serves as a runway for growth
✓ Growth Strategy	Consistently deploying new products and features
✓ Strong ESG	ESG score in the 90th percentile of the SaaS industry

Shareholder Breakdown



Consensus Price Objectives



Equity Research Views

Firm	Rating	Price Target	Views
Capital Markets	BUY	\$255	"Large, new customer wins help further accelerate growth"
Scotiabank	BUY	\$250	"Large pool of potential customers (>2,000) in its six key vertical markets"
Laurentian Bank Securities	BUY	\$255	"Growing backlog & 100% net retention Rate gives us comfort on 2021 growth"
CIBC	BUY	\$288	"Well positioned because of increased focus on SCM due to COVID-19"
National Bank Financial Markets	BUY	\$250	"The current pandemic will be a boon for Kinaxis longer term"
TD Securities	BUY	\$241	"Rubikloud is expected to accelerate Kinaxis' entry into the retail segment"

Considering all factors noted throughout this presentation, Kinaxis is a solid buy with a target price of \$240 (41% upside)