September 9, 2024

DAVENTRY GROUP

To the Kinaxis Board of Directors,

Daventry Group, LP ("Daventry" or "we") has been a significant, long-term shareholder of Kinaxis Inc. (the "Company") since March of 2021, and we appreciate the constructive relationship we have had with management throughout this time. However, given the recent unexpected announcement of the departures of the Company's long-time CEO John Sicard and new Chief Sales Officer Claire Rychlewski, we are now publicly calling on the Board to immediately formalize a process to explore a sale of the Company.

We believe Kinaxis is a highly strategic asset that is nonetheless dramatically undervalued at its current share price, where it trades at less than half the multiples of both its public and private company peers. We believe this gulf in performance is due entirely to Kinaxis's poor execution in recent years, which we believe has been self-inflicted under the supervision of the current Board. Now, after years of underperformance, the Board – led by Chairman Bob Courteau, who has sat on the Board since 2016 – is asking shareholders to trust it to hire a new CEO and undertake a risky and uncertain operating plan that our experience suggests will take years to implement. Going down this path would be a tremendous mistake and a missed opportunity for Kinaxis to monetize its strong competitive positioning today.

Rather, we believe that hiring a bank to initiate a sale process would reveal an enormous amount of interest from both strategic and financial acquirers that could allow Kinaxis to immediately close the valuation gap with its peers. A sale at this critical juncture in the Company's growth trajectory would further grant Kinaxis increased operational flexibility to scale the business, outside of the glare of public markets. Having a new owner with greater operational expertise would likewise benefit the Company's long-term interests.

Recent Supply Chain Management Software Transactions

Target	Acquirer	Date	Enterprise Value ($000s)	NTM Revenue ($000s)	EV / NTM Revenue	Revenue Growth
Llamasoft	Coupa Software	11/2/2020	1,500,000	105,171	14.3x	5.0%
Blue Yonder	Panasonic	4/23/2021	8,500,000	1,100,000	7.7x	10.0%
Bluejay Solutions	E2Open	5/28/2021	1,700,000	188,800	9.0x	7.0%
Anaplan	Thoma Bravo	3/20/2022	10,700,000	745,000	14.4x	25.8%
Average					**11.3x**	**12.0%**
Median					**11.6x**	**8.5%**
Kinaxis			**2,827,000**	**573,700**	**4.9x**	**17.7%**

Notes:

1) NTM revenue and growth rates for transaction comps are estimated based on public commentary and guidance

2) Kinaxis NTM revenue is based on Bloomberg consenus for 2025

While Mr. Courteau has stated to us that Kinaxis should only negotiate [a sale process] from a position of strength, he apparently fails to realize that this is absolutely the case today: we believe the Company's competitive position is stronger than ever, and its supply chain end market is extremely healthy and growing. Both of these factors would attract potential acquirers. Further, we believe Kinaxis's significant valuation gap relative to its peers is solely the result of execution issues overseen by this very Board, and that by exploring a sale, Kinaxis could potentially close this valuation gap quickly *because of its product and market strength, not in spite of it.*

<u>Kinaxis is a Best-in-Class Software Asset that has Materially Underperformed Peers</u>

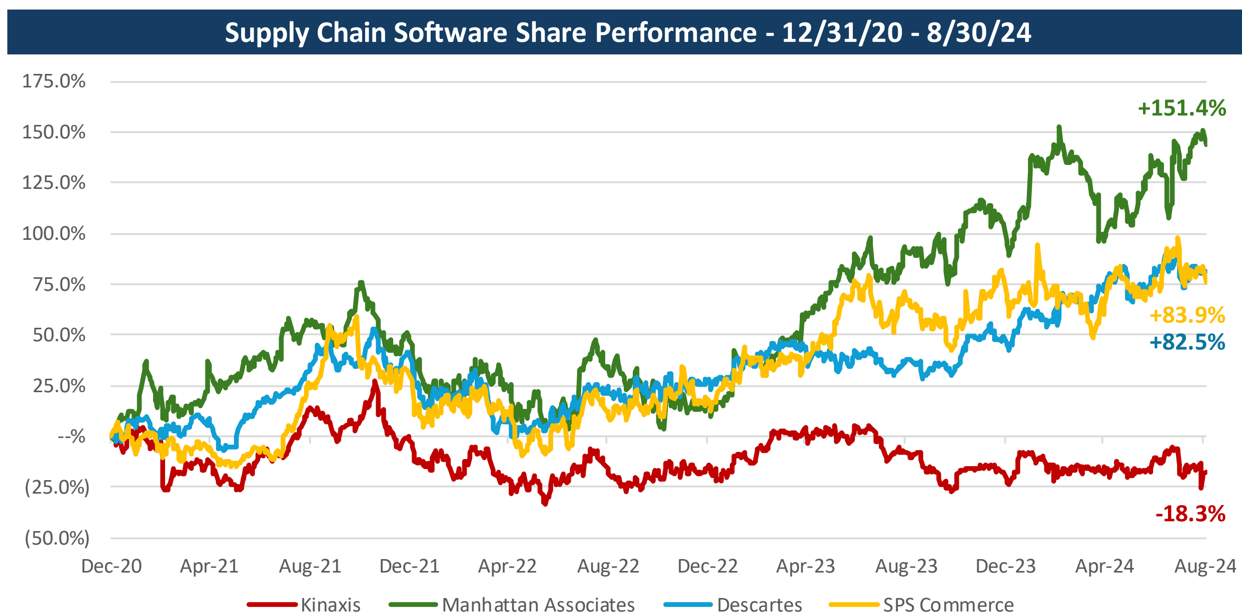
Kinaxis finds itself in a unique situation today, as a strategic asset in a critically important and growing end market that has nonetheless underperformed peers in recent years. We believe this underperformance is due to self-inflicted problems rather than any issues related to Kinaxis's underlying products. In fact, we were initially attracted to invest in Kinaxis due to its dominant market position in supply chain planning, as evidenced by its blue-chip customer base that includes one third of Gartner's Supply Chain Top 25 companies, as well as global behemoths like P&G, Merck, and ExxonMobil. Kinaxis's technological advantages relative to many peers include its ability to scale up to manage the supply chains of the very largest global organizations.

Kinaxis also sells some of the stickiest software in the world, with customers making decade-plus commitments. In fact, Kinaxis has seemingly only strengthened its competitive position in recent years, with no one else in Gartner's "Magic Quadrant" particularly close anymore. Our independent market research backs this up: partners and customers alike refer to Kinaxis's software as the gold standard in supply chain planning.

When we invested in Kinaxis in early 2021, we believed supply chain planning software would become even more strategic to complex organizations, especially post-Covid, as companies struggled to rebuild supply chains, riddled with inefficient and out-of-date technology. This has largely proven to be the case, with Gartner estimating that market growth accelerated from 4.6% in 2019, to 12.3% in 2022, and then to 15.6% in 2023. Current expectations are for continued acceleration at a 17.6% CAGR through 2027. We

believe supply chain management is one of the few areas in software that has seen a significant acceleration post-Covid.

The performance of Kinaxis's aforementioned public supply chain management software peers reflects this market acceleration. Manhattan Associates, Descartes Group, and SPS Commerce have all seen share price gains well above the overall S&P return from the end of 2020 through August 2024. Indeed, SPS and Descartes each appreciated ~80%, while Manhattan Associates is up 150%. Unfortunately, Kinaxis has not followed suit, and its share price is down nearly 20% since the end of 2020:



Painfully for shareholders, we believe Kinaxis's issues have been entirely self-inflicted and avoidable. As we've established, Kinaxis's competitive positioning is only getting stronger, and the Company's end market has been one of the best performing areas in the software space for years. Yet all of Kinaxis's peers seem to have benefited while Kinaxis has languished. What is holding Kinaxis back?

Poor Management Oversight and Capital Allocation Decisions Have Driven Lackluster Returns and Destroyed the Kinaxis Board's Credibility

Starting in late 2021, Kinaxis began to see a significant increase in demand as companies realized that they needed to modernize their supply chains. In turn, annual recurring revenue ("ARR"), the metric which the Company points to as the best indicator of future growth and customer success, accelerated in the latter half of 2021. Kinaxis's ARR growth continued to accelerate throughout the following year: the Company ended 2022 with ARR growth of 26% in constant currency, up from 21% in constant currency a year earlier.

Our research shows that while supply chain management software has been experiencing increased demand, the logistics market overall is by nature conservative and potential new customers need to be ready to make large commitments towards upgrading their supply chains. Kinaxis's management team, however, projected a continued acceleration in their own business, expecting SaaS revenue (which effectively tracks ARR one year later) to accelerate from 22% in 2022 to 25-27% growth in 2023 and 30%+ growth within 2-4 years. On the Q4 2022 earnings call, management called this expectation "prudent" and

commented they had "a very good sight into where the future is going" based on their pipeline, with CEO John Sicard stating, "we continue to be thrilled with the pipeline and as reflected in the 2023 guidance, we're excited with 2023, but I have to say, I'm even more excited about '24, '25, and '26."

Immediately after issuing this guidance, Kinaxis's growth decelerated in Q1 2023 and net new ARR actually declined year-over-year in the first half of 2023. In our discussions with the Company, we pointed out our estimate that in order to reach its lofty goals, net new ARR needed to grow roughly 35-40% annually – math that made their guidance all but impossible. However, Kinaxis's management remained obstinate that the acceleration was coming given the record pipeline for the second half. When the Company's Q4 2023 results were finally reported, they confirmed the projected sustained acceleration was illusory, and there was no more line of sight to the 30% growth target.

Management finally reset expectations on the Q4 2023 earnings call, projecting 17-19% SaaS revenue growth for 2024, a far cry from the 25-27%+ sustained growth they previously expected. At the same time, management also stated that they were seeing "some encouraging green shoots of improvement in the environment" and that they didn't expect to see a slowdown in 2024 with the pipeline "at an all-time high. So right now, it's just a matter of us executing…"

Yet growth continued to decelerate into 2024. After just two quarters, Kinaxis's management once again significantly lowered guidance on August 2, with SaaS growth now projected to be 15-17% for the year – nearly half the growth rate they expected just 18 months earlier. Over that same time period, despite facing the same challenging macro trends, none of Kinaxis's aforementioned supply chain software peers had to cut topline guidance, and in fact they repeatedly increased guidance.

We believe Kinaxis's underperformance, as management itself alluded to, came down to poor execution. We learned through our conversations with the Company that the primary reason for the August 2nd guidance reduction came from poor expansion performance to existing customers. In the software industry, cross selling and upselling to existing customers is the most efficient way to win new business. At Kinaxis, amazingly, the expansion failure apparently did not stem from customers not wanting to buy additional products, but rather because prior to 2023, the Company did not have a dedicated expansion team in place to sell into the existing customer base. Out of over 1,500 employees at the start of 2023, Kinaxis only had four individuals handling expansion deals!

Kinaxis's management has apparently unsuccessfully attempted to ramp up this area in recent quarters, but the fact that there was no structure in place to begin with reflects a complete lack of understanding of how to scale a software business and a shocking lack of supervision from the current Board of Directors. Unfortunately for shareholders, management compounded these wildly incorrect forecasts with poor capital allocation decisions.

Prior to 2020, even as a significantly smaller company, Kinaxis consistently generated EBITDA margins in the 25-30% range (variability stems from the lumpiness of term licenses, which are 100% gross margin and recognized entirely upfront). But when management incorrectly forecasted its business would accelerate, it also made the decision to invest aggressively, bringing down EBITDA margins into the high teens. As management stated on the Company's Q4 2022 earnings call, "we're a 30% to 35% adjusted EBITDA business that's right now investing to grow our business as fast as possible."

As 2023 unfolded and it became clear that the projected acceleration was not materializing, we had numerous discussions with management about the wisdom of continuing its aggressive investment

program. Management remained undeterred, convinced it was just a matter of time. Of course, we now know that acceleration never happened.

Importantly, Kinaxis's current Board either greenlit these investment plans or simply was asleep at the wheel. We're baffled as to how the current Board didn't even seem to question where all this investment was going – how could management ramp up sales & marketing as dramatically as it did without building out a customer expansion team that would most likely be its highest-returning investment? How could the Board not push back on the acceleration narrative when results kept coming in below expectations?

Today, Kinaxis's management is trying to unwind some of these investments – a process that can create further problems when done publicly – but for shareholders, the damage has already been done. As evidenced below, slashing margins and misallocating capital while destroying credibility has driven significant multiple compression at Kinaxis and poor returns relative to peers. Meanwhile, its supply chain software peers managed their respective businesses in line with appropriate expectations and expanded margins as the supply chain software end market remained healthy during this period. Kinaxis's multiple significantly diverged from peers as investments ramped up [Kinaxis's depressed margins in 2021 and outsized growth in 2022 are due to the lumpiness of term licenses]:

Kinaxis vs. Public Supply Chain Softwares Peers

	2019	2020	2021	2022	2023	
Revenue Growth						Average
Kinaxis		17.0%	11.8%	46.3%	16.4%	22.9%
Manhattan Associates		-5.1%	13.2%	15.6%	21.1%	11.2%
SPS Commerce		12.0%	23.2%	17.0%	19.1%	17.8%
Descartes		7.0%	21.8%	14.4%	17.9%	15.3%
EBITDA Margin						**Change 2019-2023**
Kinaxis	30.1%	24.0%	15.8%	21.7%	17.5%	**-1260 bp**
Manhattan Associates	25.3%	26.7%	28.0%	28.5%	30.9%	**565 bp**
SPS Commerce	25.0%	27.8%	27.8%	29.3%	29.4%	**437 bp**
Descartes	37.6%	40.7%	43.7%	44.3%	43.2%	**557 bp**

Forward Revenue Multiple

	Average 2019-2022	Today	Change
Kinaxis	10.1x	4.9x	**-51.0%**
Manhattan Associates	9.8x	14.0x	**42.7%**
SPS Commerce	8.8x	10.0x	**13.4%**
Descartes	11.7x	12.0x	**2.7%**

Notes:

1)Today is as of 8/30/24; uses Bloomberg consensus 2025 revenue as denominator

2)Four-Year Average uses December 31st of each respective year

The Sudden Leadership Vacuum at Kinaxis Necessitates an Immediate Sale Process to Minimize Execution Risks, as the Current Board Has Failed to Build a Robust Team to Scale the Business

We believe a primary driver of Kinaxis's poor execution has been the current Board's inability to build an effective management team. The Board's recent hiring track record makes it abundantly clear that it cannot be trusted to install the next generation of Kinaxis's leadership at this critical inflection point for the Company.

Despite Mr. Sicard's lack of any experience running a large company, the Board failed to prudently build a strong executive team around him during his tenure as CEO. For example, rather than bringing in someone with deep operational experience at larger organizations to help Mr. Sicard scale the business, on August 4, 2023, the Company announced that Megan Paterson would be internally promoted to the new role of COO. According to the Company, in this role she "would oversee the company's cloud services operations, corporate IT, corporate strategy, HR, and global real estate operations." Surprisingly, the Board promoted Ms. Paterson to this important and vast operational role from Chief HR Officer, following a career in HR that did not seem to fit the profile Kinaxis needed for the COO role.

Significant and puzzling turnover has further exacerbated the poor hiring decisions at the executive level. In April 2024, President Paul Carreiro, who had relevant experience at larger software companies, departed Kinaxis, leaving the executive ranks with a severe lack of large public company experience. While it was apparently unannounced at the time, Chief Strategy Officer Anne Robinson, who according to the Company "drove the strategic roadmap," also left Kinaxis earlier this year in February. Kinaxis named Margaret Franco its new Chief Marketing Officer in July 2023 only for her to depart just seven months later in February 2024. On top of all of this, the Company also recently let go of David Anderson in August 2024. Mr. Anderson was the Vice President Key Accounts and led the customer expansion team that the Company had been trying to build up. This is a shocking amount of turnover in key roles.

Most concerning, however, is the Board's recent hiring and the subsequent departure of a new Chief Sales Officer. In April 2024, just five months ago, the Board promoted Claire Rychlewski to CSO. Yet less than two weeks ago, on August 27, Kinaxis announced both Mr. Sicard would be stepping down from his role as CEO and that Ms. Rychlewski would be leaving the Company entirely to "take advantage of an opportunity that better suits her current goals." Shockingly, in subsequent conversations with Mr. Courteau, shareholders were told that the Board realized after just a few months on the job that Ms. Rychlewski was not suited for this critical role.

Nevertheless, the same Board that oversaw this executive turnover is asking shareholders to trust it to hire a new CEO and find new executives to help rebuild Kinaxis's sales organization. At the same time, they are assuring shareholders that there is little risk from Mr. Sicard's and Ms. Rychlewski's departures because the pipeline still looks strong. This Board has no credibility to make such a claim: over the past five years, it has clearly been unable to build a strong executive team, and simultaneously proved that any pipeline growth means very little if the Company cannot execute on its objectives.

Moreover, Mr. Courteau is telling shareholders that Kinaxis's rebuild will be quick, despite the fact that the current Board and management have proven unable to build a competent organization for years. Allowing this Board to hire a new CEO would be a major mistake, and our experience shows that any rebuild will take years. This is not as simple as making a few hires; rather, we believe scaling Kinaxis will require rebuilding the Company's go-to-market organization. Any new CEO will want to hire their own team,

revamp the strategy, and put their stamp on the Company – these are never quick fixes, and we have provided Mr. Courteau plenty of examples from our own experience.

New ownership would be best positioned to drive Kinaxis's future success. Therefore, the Board should immediately initiate a sale process and allow another organization, whether a strategic or financial sponsor, that understands how to scale a software business to finally unlock Kinaxis's value and capitalize on its strong competitive positioning. Given that the Company's issues are self-inflicted and execution-related, not product or market-related, we believe potential acquirers would pay a healthy premium for Kinaxis as a scarce high-quality strategic asset.

However, Kinaxis's current Board is asking for shareholders to forget the past several years of poor decision-making, oversight, and underperformance and instead allow it to continue to put shareholder capital at risk. We believe the best path forward for the Company lies not in repeating the same old mistakes, but in running a sale process today to minimize incremental risks while maximizing the value of the business for all shareholders.

Kinaxis is operating from a position of strength today because its product is both the gold standard in its industry and a highly strategic asset. In fact, we believe the fact that Kinaxis hasn't suffered the dramatic share price losses that many other software companies have in recent years – instead often treading water even with consistently poor execution – is a testament to the strength of the Company's products and end markets. Kinaxis's primary area of weakness is its valuation gap relative to peers, which we have shown has been driven by poor execution under the current Board. Ultimately, Kinaxis's Board has a fiduciary duty to maximize shareholder value, and therefore, it should immediately initiate a sale process for the Company to close the dramatic valuation gap it has created.

The recent departures of Mr. Sicard and Ms. Rychlewski, along with other significant recent executive turnover, leave a massive vacuum in leadership at Kinaxis heading into the Company's most important selling months of the year, making the immediate initiation of a sale process imperative. Shareholders should not accept Mr. Courteau's contention that there is minimal risk going forward, nor should they accept another potential lost year in 2025 and a risky and uncertain multi-year operational plan under the supervision of a Board of Directors that has proven incapable of steering Kinaxis in the right direction for years.

Thank you for your time.

Andrew Dantzig
Managing Partner
Daventry Group