FINAL TRANSCRIPT

Kinaxis Inc.

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PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to the Kinaxis Inc. Fiscal 2017 Fourth Quarter Conference Call. At this time, all participants are in a listen-only mode.

Following the presentation, we will conduct a question-and-answer session. Instructions will be provided at that time for you to queue up for questions.

I'd like to remind everyone that this call is being recorded today, Thursday, March 1, 2018.

I will now turn the call over to Rick Wadsworth, Vice President of Investor Relations at Kinaxis Inc.

Please go ahead, Mr. Wadsworth.

Rick Wadsworth — Vice President of Investor Relations, Kinaxis Inc.

Thanks, Operator. Good morning, and welcome to the Kinaxis earning call. Today we will be discussing results that we issued after the market closed last night.

With me on the call are John Sicard, our President and Chief Executive Officer, and Richard Monkman, our Chief Financial Officer.

Before we get started, I want to emphasize that some of the information discussed in this call is based on information as of today, March 1, 2018, and contains forward-looking statements that involve risk and uncertainty. Actual results may differ materially from those set forth in such statements.

For a discussion of these risk and uncertainties, you should review the forward-looking statements disclosure in the earnings press release, as well as in our SEDAR filings.

During this call, we will discuss IFRS and non-IFRS financial measures. A reconciliation between the two is available in our earnings press release and in our MD&A, both of which can be found in the Investor Relations section of the Kinaxis website, kinaxis.com, and on SEDAR.

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To begin our call, John will discuss our 2017 highlights and recent developments, followed by Richard, who will review our financials, and then John will make some closing remarks before opening up the line for questions.

I'll now turn the call over to John.

John Sicard — President and Chief Executive Officer, Kinaxis Inc.

Good morning, and thank you for joining us today. 2017 was a fantastic year on many fronts.

We remained true to our business pedigree of sustaining strong revenue growth and profitability. Subscription revenue grew 23 percent, and we achieved adjusted EBITDA of 30 percent with solid cash generation. We've added a number of great names to our customer base, and continued to expand across many others.

This year, we also strengthened our executive team while simultaneously building out our global operations in Europe and Asia. Our consistent business performance and growth is directly related to the potent benefits our products bring to the market.

We are the only company in our industry uniquely capable of delivering the immense potential of concurrent planning. More than just unique technology, we are bringing forward a new and unique technique to planning.

This vision and capability continues to attract the business of the world's largest companies looking to revolutionize their planning processes. New and existing customers that recognize the need for a change in how they plan are leveraging our expertise in concurrent supply chain planning to drive breakthrough business outcomes.

While our single solutions spans a number of industry verticals, I'm pleased to note we've enjoyed increasing success with automotive, consumer-packaged goods, and life science enterprises. In fact, we have just closed our fifth major automotive brand, and continue to see additional interest from other major accounts.

Last month, we announced that Toyota had selected RapidResponse to manage its automotive demand and supply chain processes. As one of the world's largest automotive manufacturers, with a strong reputation for quality, Toyota will leverage the power of RapidResponse to optimize its inventory levels while providing improved production flexibility as customers demand changes.

We are thrilled to have earned the trust and confidence of Toyota, and look forward to demonstrating the strong value of RapidResponse while growing our relationship with them over time.

As further validation of our market leadership, Kinaxis has once again been recognized by an influential industry analyst group. Nucleus Research just identified Kinaxis as a leader in its recent Control Tower Value Matrix, which provides an in-depth review of the top 13 control tower vendors. Nucleus cited some of our unique concurrent planning capabilities as a key factor in its assessment.

As I mentioned, throughout 2017 the vast majority of our new customer activity was influenced by our global partners. With our growing partner ecosystem, we are accelerating our ability to engage prospective customers, and they are accelerating their ability to deploy our solutions.

To further support our partners' capabilities, we recently launched the Partner Enablement Program. We specifically developed the new program in direct collaboration with our partners, with the sole intent of accelerating their skills and knowledge.

As I have mentioned in the past, we are seeing an increase in partner-led deployments of our product, as we intended. We believe that the stronger our partners become, the greater our business potential will grow.

Our partner program is just one of the key investments we will continue to make as we enter 2018. First, we are significantly expanding our sales and marketing capabilities. In particular, we are increasing the sales team, which comprises of account executives, business consultants, and industry principals, by 40 percent.

These additions will be made globally; however, to continue our significant momentum in Europe and Asia, we will apply a heavier weighting towards these regions. Our partners have been supporting us very well in Europe and Asia, and we are well positioned to take advantage of that success and a growing and robust pipeline of new opportunities.

Secondly, we are increasing our investments in research and development as we continue to enhance the industry's only concurrent planning solution. We will be working on a number of initiatives, but in the short term some areas of focus include enhancements to our analytics to support the growing opportunities in automotive and consumer-packaged goods verticals, and productizing our initial machine learning capabilities as a step towards creating the self-healing supply chain.

Third, we will be building out world-class data centre capabilities in Japan later this year. These are just some of the key investments we are making to continue to scale our business through 2018 and beyond.

I'm thrilled with the success our team has achieved in 2017, and my confidence in our future remains very high.

With that, I'll turn it over to Richard for an overview of the financials.

Richard Monkman — Chief Financial Officer, Kinaxis Inc.

Thank you, John, and good morning. As a reminder, all figures reported on today's call are in US dollars under IFRS.

Total revenue increased 14 and 15 percent in the fourth quarter and full year periods, respectfully (sic), to 34.4 million and 133.3 million. Our revenue is driven predominantly by our strong base of subscription revenue, which increased 19 percent and 23 percent in the fourth quarter and full year periods, respectfully (sic), to 27 million and 100.8 million.

As we've discussed on previous calls and as John has just noted, our partners continued to assume a greater role in new customer deployment activity in 2017. As a result, professional services revenue declined by 2 percent and 5 percent in the fourth and full year periods to 7.2 million and 31.5 million.

Gross profit increased by 19 and 17 percent for the fourth quarter and full year periods, respectfully (sic), to 24.7 million and 93.5 million.

As a percentage of revenue, gross profit was 72 percent in Q4 2017 and 70 percent in fiscal 2017 compared to 69 percent in the prior-year periods. The increase in gross profit in the respective periods was driven by the higher growth rate of our revenue compared to our costs and also the subscription revenue to total revenue mix.

Adjusted EBITDA as a percentage of revenue was 32 percent in Q4 2017 and 30 percent in fiscal 2017 compared to 25 and 21 percent in the respective prior-year periods. This was an increase of 73 percent and 40 percent for the fourth quarter and full year periods to 11.2 million and 40.1

million. This strong performance was again a result of the higher growth of total revenue compared to operating expenses, excluding share-based compensation.

In particular for the fourth quarter and full year, selling and marketing expenses decreased compared to the prior-year periods due to a decrease in the contract customer acquisition costs related to timing of securing new contracts. Our policy is to expense contract acquisition costs related to new and expanded customer arrangements upon commencement of the related revenue.

Consequently, selling and marketing expenses for the fourth quarter of 2017 do not reflect customer acquisition costs for certain contracts secured with customers in the fourth quarter of 2017 for which revenue recognition commenced in fiscal 2018.

Q4 2017 profit increased 3.8 million to 5.5 million, or $0.22 per basic and $0.21 diluted share in full year 2017. And full year 2017 profit increased 9.6 million to 20.4 million, or $0.81 per basic and $0.77 per diluted share.

The increase of profit was primarily driven by the increase in subscription revenue, partially offset by our investments in professional service and data centre capability, research and development, and an increase in share-based payments.

Demonstrating the ongoing robustness of our business model, cash generated by operating activities was 12.5 million for the fourth quarter and 33.6 million for the full year period. This strong performance represents 25 percent of 2017 revenue and 27 percent for 2016.

The nature of our long-term contracts provides us with a high level of visibility into our forward 12 months of revenue. Our customer base is diversified across multiple vertical markets, and our pipeline of new opportunities remains strong. This supports our ability to provide full year guidance with confidence.

Under IFRS standards as applicable at December 31, 2017, and based upon the existing contract backlog and the strength of our sales funnel, we expect total annual revenue for fiscal 2018 to be in the range of 158 million to 163 million. Subscription revenue will continue to be the growth driver. We expect subscription revenue to be between 23 and 26 percent over 2017.

Reflecting the growth initiatives that John mentioned for 2018 and our expectations, the sales and marketing expense will grow from the range of 22 percent in 2017; we expect it to grow to a range now of 24 to 27 percent of revenue.

Given product initiatives, we expect net research and development expense will remain in the range of 17 to 19 percent. This level of investment is critical in positioning us for long-term growth, and we expect to see this benefit our direct sales capabilities, our partner relationships, and Knowledge Services. We also believe this will provide us with greater scale through enhanced customer success.

The visibility of our long-term revenue continues to provide us with support and confidence to invest in these future growth initiatives. Based on our investments and near-term customer opportunities, we expect annual adjusted EBITDA as a percentage of total revenue to be in the range of 23 to 26 percent for 2018.

As noted in our MD&A and financial statements, beginning in 2018, Kinaxis will be adopting the new IFRS 15 and IFRS 16 provisions. We will report on the first quarter results in May. We will provide a reconciliation of the adjustments related to adopting these new standards.

We will also provide guidance for the remainder of 2018 that reflects this adoption. To further assist readers, we will continue to provide results for 2018 based upon prior years' IFRS standards for ease of comparability.

Through RapidResponse, we provide very large enterprises the capabilities to solve their critical business challenges. We support them in driving savings while strengthening their relationship with their customers.

While no sector or business is immune to economic cycles, the maturity of our model, the diversity of our revenue base, and the strength of our innovative product provides us with sustained confidence.

With that, I'll turn the call back over to John.

John Sicard

Thank you, Richard. As you've heard from Richard, we made great progress in 2017, and we are in the enviable position to continue our growth through 2018 and beyond.

The continued strength of our financial performance, the growing adoption of our breakthrough product, and the continued participation from our partners provides me with great confidence in our business model and business potential. With this confidence comes an acceleration of key investments needed to accelerate that growth.

We will accelerate our investments in the global sales and marketing team, in particular throughout Europe and Asia, where we have seen great success. We will accelerate product innovation through incremental investments in research and development. And we will continue to expand our data centre capabilities.

These investments will better position Kinaxis to capture the strong demand that we are seeing for the world's largest companies.

On behalf of Kinaxis, I'd like to thank you for your support, and as always, for taking the time to join us.

With that, I'll turn the line over the Operator for Q&A.

Q&A

Operator

If you would like to ask a question at this time, please press *, then the number 1 on your telephone keypad. If you would like to withdraw your question, press the # key. We will pause for just a moment to compile the Q&A roster.

Your first question comes from Thanos Moschopoulos from BMO Capital Markets. Your line is open.

Thanos Moschopoulos — BMO Capital Markets

John, you mentioned your plans to increase the sales team by 40 percent and you mentioned it's focused on geographic expansion, which makes sense. But my question is, why is the big step-up happening now as opposed to, say, last year? Is that reflective of an acceleration in the growth in the pipeline? Might it be reflective of the increasing maturity in the partner channel and the increasing support they need? If you could you clarify that? Thanks.

John Sicard

Yeah. Thanks for your question, Thanos. It's really all of the above. We've always been responsible operators. And part of being responsible is recognizing when you start to see that momentum grow is to get prepared.

And we're definitely seeing strengthening activity in Asia. And just in 2017 you saw a release with Nissan, Toyota, Santen. Santen was our first life sciences customer in Japan. We opened up our data centre recently in Europe, and we're seeing a strengthening pipeline there. And more importantly, we're seeing a lot of activity from our partners in those two regions. And that's not to say that we're seeing any weakening in North America whatsoever; this is additive. We're seeing strengthening activity in those two regions.

And as we've said in the past, while the vast majority—as we saw in 2017—the vast majority of new-named accounts that we're winning are partner influenced, we have a sales team that comprises of account executives, industry principles, and business consultants that work hand in glove, if you will, with the teams at those partners to win those deals.

So that's where we are confident enough that now is the time to accelerate our investments in sales and marketing.

Thanos Moschopoulos

Great. And aside for the geographic dynamic that you highlighted, have there been any other changes that you'd call out with respect to the composition of the pipeline that you're seeing?

John Sicard

Absolutely, Thanos. Last, I think it may have been the last earnings call, but definitely I've made this statement during earnings calls in the past that life sciences has surpassed our previous vertical in terms of the highest component of our revenue.

And as I just noted, we just closed our fifth large automotive company and so both of those are yielding quite well for us. High tech continues to be strong; consumer-packaged goods continues to be strong. So again, those are the—I'd say if I were to apply some colour, we're seeing some strength in those specific market verticals.

Thanos Moschopoulos

Great. And then one for Richard, could you clarify the impact of US tax reform on 2018?

Richard Monkman

Sorry, you said the US tax reform?

Thanos Moschopoulos

Yes. Will that be changing your tax rate at all?

Richard Monkman

We anticipate there'll be a modest adjustment. We are a Canadian parent company. We had long-term transfer pricing models in effect. The Canadian tax rate continues to remain low, so there'll be some benefit, but it won't be material at this time.

Thanos Moschopoulos

Okay. All right. Thanks. I'll pass the line.

Operator

Next question comes from Richard Tse from National Bank Financial. Your line is open.

Richard Tse — National Bank Financial

Those investments in the sales and marketing and the momentum you're talking about, is it reasonable to assume that the growth rates here, not necessarily for '18, but '19 going forward could actually accelerate on a subscription basis?

John Sicard

I mean, that's a great observation, Richard, and exactly what we're preparing for. Our sales cycles, even with the partner influence, while it can drive some momentum in the overall pipeline, we haven't necessarily seen an acceleration of deal closure. We're still, as you know, becoming part of business fabric for these large enterprises. And so as I said previously, part of our job is to recognize when you start to see momentum and invest in advance of that to make sure that you can take advantage.

And so the short answer to your question is yes, these investments we're making today are in direct preparation for acceleration that we can see through 2019 and beyond.

Richard Tse

Okay. And then with respect to sales and marketing again, does that also have to do with Paul joining the Company and sort of his evaluation and input in terms of what he's seen in the past in terms of what you need to do from a scaling perspective?

John Sicard

Yes. In fact, Richard, Paul has extensive, extensive experience working throughout Europe. And that has definitely proven to be helpful to Kinaxis in growing the partners in that region and building momentum. We brought Paul on for that purpose. He knows what $1 billion of revenue looks like. He's carried that for many, many, many years.

So bringing him on and having him build the appropriate relationships with partners and building the appropriate sales support team to seize the potential is what you're seeing reflected in our forecast.

Richard Tse

Okay. And then the last one for me is that maybe if you can give us an update on the competitive environment? Like some of the things that we've been hearing about is you're clearly doing a lot of damage to some of your competitors, and so they're resorting to tactics like aggressive pricing here. So how has that sort of changed over the past while? And that's my last question. Thanks.

John Sicard

Yeah. Thanks, Richard. In fact, you're right that we call it poisoning the well. When a prospect knows—when a competitor knows they're losing, they try to fight based on price. We don't play that war. It is common, in fact, that we win our opportunities and our price is higher than our competitors. That's common. And in the end, our prospects, our customers, are looking for a cure, not a placebo. They're looking for a cure.

And when we talk about the potency of concurrent planning, that's a cure. And we go through extensive proof of concepts with them, they've experienced the power that we're bringing them and the business outcomes, and so the monetary aspects, if you will, play lesser of a role. Our prospects are looking for something that works.

I have to say, the most expensive decision and the most expensive decision you can make is to buy something that's free. And so essentially, this hasn't necessarily been a friction point for us.

Richard Tse

Okay. Thanks, guys.

John Sicard

Thanks, Richard.

Operator

Your next question comes from Paul Treiber from RBC Capital Markets. Your line is open.

Paul Treiber — RBC Capital Markets

Thanks very much, and good morning. Just wonder to the sales and marketing investments, just given the typically long sales cycle that you have, how long do you anticipate to ramp up these programs? And how long do you think it would take for the new hires to begin driving revenue?

John Sicard

So, Paul, as you know, a little over two years ago we brought on Sarah Sedgman as our Chief Knowledge Officer. She's since taken on more responsibility, in fact, within the Company. But part of her mandate was to build an education framework not only for partners, right? I mean, the initial for us was to prepare partners to learn to sell and deploy RapidResponse.

Well, we're using and leveraging all of her work, her team's work to accelerate the learning of new hires. So this—while everyone is different, right, we anticipate certain individuals that we're hiring within sales will be ready to contribute within sort of that six- to eight-month time frame.

Now that said, we're allocating pipeline as we hire these particular individuals and connecting them with associated partners. In Europe, for example, we announced last year a partnership with mSE, and they've been extremely active with us. And so we're making those associations and growing the team appropriately.

So the other thing I would say, and this is I think also very important, when we say we're accelerating our investments in sales and marketing and particularly growing the sales team by 40 percent, it's front-end loaded. We are accelerating that as we speak very aggressively.

And so, again, part of our thesis, if you will, is bring all of these people in immediately and train them simultaneously as opposed to spreading it out. That's what we're doing.

Paul Treiber

And then these new investments, obviously they're focused on scaling the Company. What do you see as the biggest risk as you scale the Company up to the next level?

John Sicard

Well, certainly when we look at the geographic expansion in our ever-growing partner ecosystem, getting coverage, frankly, maintaining coverage for the number of partners that we have signed is one of those things that keeps me up at night. We have signed more partners than we have announced.

And so there is a lot of activity going on right now with those partners. And so I'm working very closely with Paul on this particular topic, and again, some of these partners are in Japan, some are in Europe, and making sure that we're getting adequate connection points with sales and marketing staff is one of those areas that I'm focused on.

Paul Treiber

Okay. Thank you. I'll pass the line.

Operator

Your next question comes from Paul Steep from Scotia Capital. Your line is open.

Paul Steep — Scotia Capital

John, could you talk a little bit about any thoughts around realigning the professional services team that you and Paul have had, given that you've increasingly utilized that partner network over the last couple quarters? Any changes we should think about there?

John Sicard

I think precisely what you have—what we have described and it began last year. If you recall, midyear we recognized the speed at which our partners were adopting the deployment scale was faster, frankly, than we had anticipated. We had planned this to happen. We've always thought great, successful SaaS companies look more like an 80/20, 80 percent subscription, 20 percent services support, and we're definitely seeing that trend continue.

Now obviously we have an assurance program with our partners, so it's very common to have our professional services team working alongside our partners where our partners are prime. But I wouldn't say there's any change in how we're working with our partners there.

Again, we're definitely seeing partners pick up the prime position and Kinaxis picking up the supporting role. It doesn't mean no role. It means the supporting role of those deployments. And the forecast that you're seeing here and what we're reflecting for 2018, frankly it reflects that program continuing as we've designed it.

Paul Steep

Great. That's helpful. I guess the second one for me would be, Richard, how would we want to think about the data centre build-outs and CapEx through '18 in terms of relative levels? '17 was a fairly heavy year. Is it sort of the same level into '18 again?

Richard Monkman

Yes. Paul, we anticipate that it's still going to be in that range. As you pointed out, and particularly as we've guided in the Q4 with the launch of the data centre in Europe, now with the expanding capabilities in Japan, as well as, quite frankly, just to support the other growth in the business, other data centre expansion, we anticipate CapEx will probably be in the … continue to be in the 11 to 12 range for 2018. 11 million to 12 million.

Paul Steep

Great. Okay. Thanks. One quick last one for me for either of you, I guess. We've talked lots about Europe this morning on the call. How should we think about that in terms of the mix as you sort of exit over the next couple years? You'd said that obviously the US or North America's not slowing, but there's a ramp, and we've seen that in the last couple quarters. Where to you think you want to see the European and then the Asian business, I guess, get to on a percentage basis out a couple of years? Thanks.

Richard Monkman

Yes. So we're very excited. I mean, we've had significant success and, as John noted, our expectations are that will continue in Europe. But as you know, Paul, we deal with global companies. And in many instances while the focus has been with the European-based company, they have often signed that through their US subsidiary.

So we have this situation on an ongoing basis where our supplemental note disclosure really doesn't align with where our customers are based. But absolutely, growth in Asia, growth in Europe, well growth in North America, but these are, again, global-scaled operations.

Paul Steep

Thank you.

Operator

Your next question comes from Gus Papageorgiou from Macquarie. Your line is open.

Gus Papageorgiou — Macquarie

Thanks for taking my question. Just a clarification first. John, you said you won an auto customer. So that's not Toyota, right? That's someone in addition?

John Sicard

That's correct.

Gus Papageorgiou

Okay. Great. And I guess my bigger question, broader question is you guys are unique as a SaaS company in that you're highly profitable; you're much more profitable than the much larger SaaS companies. I'm just wondering how do you balance this growth versus maintaining profitability? You seem to be accelerating spending here. Why is a 40 percent increase in the sales staff the right number? Like why isn't it 100 percent? So I'm just kind of wondering if you're looking forward like how do you balance how much you're investing versus how much you should grow? And is there a profitability level that you just don't want to break, that you don't want to breach regardless of how much growth you could achieve?

Richard Monkman

Gus, we are, as you've—thank you for noting that we are very unique in that it is a growth company, as well as a very strong bottom line, and I think you'll probably note the very strong cash generation. But we are first and foremost a growth company and so all our efforts are based off on that.

We've said all along that we are not shy to apply to the rigour that John discussed. And as example here is the significant increase in sales and marketing from that 22, 23 percent range we're guiding at 24 to 27 because we believe now we're taking advantage of those additional opportunities.

So it's—but just the subscription nature of the business, again, in the area of 80 percent of our subscription locked in backlog when we provide the annual guidance, we can do that with confidence. But our goal is to accelerate the growth rate. And as indicated by our initial guidance, the subscription revenue growth rate is higher for 2018 than it was for '17.

So this is very much a growth focus and can sustain the investment, and it is a longer-term view. I think as you know, this is not a quarter by quarter. So that business model is going to continue.

John Sicard

Yeah. And, Gus, let me just add to Richard's comment. We don't throttle the business. It's not a question of us throttling to maintain some profitability. We do believe that responsible SaaS companies should be very predictable in both growth and profit. And so that's always been our pedigree.

And so we are now, as I said, we're monitoring what I'll call momentum indicators. For example, we monitor unsolicited inbound leads. That's a key for me. We're not harvesting out of a marketing program; no, someone's ringing our doorbell and coming to us. And we monitor that very closely as a momentum indicator.

Obviously, our growing partner ecosystem and having their relationships and their privilege grow the pipeline. We monitor that. And so our plan for this fiscal year and what we've presented represents I'd say with great precision what we believe is the appropriate investment to continue along our pedigree.

Gus Papageorgiou

Thanks for that. Just wondering if there's any way you could give me a sense of that index of the unsolicited inbound leads, how much that has increased, if that's possible?

John Sicard

Yeah. It's, again, not something that we have presented in the past as an indicator. I can tell you that it has been increasing steadily for at least the last five quarters or so. And again, that isn't the only indicator; it's one.

When combined with the other elements that we monitor and the success that we're seeing, especially in Europe and Asia, that is where the management team has made the determination that we're starting to see—we have to prepare ourselves for that momentum.

Richard Monkman

And, Gus, what is exciting is we've always felt that, and we're going to continue to increase our awareness. Being a public company has helped that; certainly being continually recognized in leadership quadrants and other market notes. But what we're seeing through the partners as well is this now recognition of the value of concurrent planning. And so it's a number of awareness themes.

And one of the investments it is sale and marketing. So we will be continuing to work to enhance that profile and our visibility.

Gus Papageorgiou

Great. Thanks for answering my questions, and congratulations on a good quarter.

John Sicard

Thank you, Gus.

Operator

Your next question comes from Kevin Krishnaratne from Paradigm Capital. Your line is open.

Kevin Krishnaratne — Paradigm Capital

Hi, there. Good morning. First, just a quick one for me on the expense side of things. How do we think about your expectations on gross margin in 2018 and perhaps beyond, especially if partners are taking bigger ticket client wins? And I'm just wondering how margins will evolve versus the kind of 70 percent range you saw in '17?

Richard Monkman

Yeah. Great question, Kevin. It's sort of mathematically the subscription revenue is at a higher margin, I think, clearly than professional services. And you already saw some gross profit expansion. We are continuing, obviously, to invest in not only professional services, but in the data centre. That's a COGS cost.

So I think longer term you'll see that expansion trend continue, but given this investment theme, I think that 70 percent range plus or minus is the appropriate range for the near term.

Kevin Krishnaratne

Okay. Great. Thank you for that. And then the next question for me again, just to pull back on beyond the sales increase there, I'm just wondering if you can talk about you mentioned that you're trying to accommodate the growing partner roster. Is that to mean that it's to actually support the partners that you have right now? Or are you trying to get in front of potential partner wins? And also does some of that increase is that because your existing partners are just seeing an increase in their client conversations; they've come back to you saying, look, we need some more support?

Richard Monkman

It's really both. We've shared that we now have over a dozen partners; we're continuing to build the partners. I think you are familiar that in our case this is not simply a logo (phon) acquisition. These are individuals that are investing in training, as John noted, with the knowledge services and expanding.

We're very pleased to see—while we're not in a position to disclose specific numbers of trained practitioners in our communities—in the order of 2X range over the last year. So we're going to continue to see they are investing, we're investing with them, and so absolutely we're going to be putting additional resources for them, additional personnel because that's where we see the long-term win rate. And that's where we see not only a capability to accelerate our growth rate, but also to assure the quality execution of those wins.

Kevin Krishnaratne

Okay. Thanks for that. And I guess the final one for me, just to speak on the other R&D investment. I know you did call out some builds related to auto and perhaps any other verticals there. I'm just wondering your thoughts on building versus buy, given your cash balance?

John Sicard

Yeah. So that's a great question. And our strategy around the buy side of things is to look for things that might be technically accretive. So there's a few gates, obviously, that would have to get passed. One, technically accretive, so bring us into a market vertical that we're not in or provide some technical capability or strength where we have some weakness.

And again, it has to be SaaS-ifiable, what I call SaaS-ified. And there's lot of technologies out there that were built on an on-premise kind of perpetual type of model, which could quite frankly poison our own technology. So we're very careful about that.

Third, scale. A lot of great little technologies out there that just weren't built to support the type of scale that you might encounter at a Toyota, for example. And so in some cases we have to turn to our own R&D expertise to maintain the type of speed, scale, and supportability of RapidResponse.

And I will say it's not a question of that door being closed. We have looked at some things in the past; they just don't necessarily pass those specific gates. And so we don't look at that as slowing us down. It just means we continue our investments and prioritizing in the verticals that we see as having some momentum.

Richard Monkman

And we will continue to evaluate opportunities.

John Sicard

Yeah. Absolutely. Yeah.

Kevin Krishnaratne

Great. Thanks, guys. I'll pass the line.

Operator

Your next question comes from Nick Agostino from Laurentian Bank Securities. Your line is open.

Nick Agostino — Laurentian Bank Securities

Yes. Good morning. I guess just a quick question with regards to comments you guys made earlier. You'd indicated that many—you've got more SI partners or just partners in general than you have disclosed to investors right now. And then we also know that it typically takes about 12 to 18 months for your SI partners to reach a certain level of maturity so that they can go out and be more effective. Can you maybe just give us a sense of, just given the size of your partner relationships, how many of them have reached that maturity level versus being more in the incubator stage?

And specifically, I'm just thinking about Bain Capital. We haven't heard much about them. I'm just wondering if they have—whereabouts are they in that whole cycle? Are they reaching a point where you anticipate they'll start to deliver some contracts for you, if they haven't already? And that's it. Thanks.

John Sicard

Good question. So first, as I mentioned, the vast majority of the new-name wins for 2017 were partner-influenced. Not every partner participated, but I can tell you that in 2017 we saw the most broad participation in the history of the partner initiative. So we had many partners directly involved in influencing deals.

Related to Bain, again, we would say this about any of our partners. We don't necessarily make specific comments about any one partner. We continue to work with them and educate their teams and get them certified, as we are with the rest of the partner ecosystem.

And to your question on us having more partners than we have announced, we've always … I've always talked about having partners in the incubation phase, what I call the incubation phase. So there has not necessarily been a formal contract signed, if you will, like we have with Accenture, Deloitte, and mSE and others. But we are in direct participation in working with them on deals. And this is typical where that's how it starts and then we start that relationship with a win, which then leads to a more formal arrangement.

The other thing I will tell you is that we have signed arrangements where the partner doesn't wish to make it public for their own reasons. And so that is a situation that we also have where we're actively engaged, lots of activity in pipeline development with a partner that we have signed a formal agreement with that we simply will not make public because of a restriction on their side.

So that sort of gives you some colour as to what the partner portfolio looks like.

Nick Agostino

Okay. That was great. Thank you.

Operator

Your next question comes from Suthan Sukumar from Eight Capital. Your line is open.

Suthan Sukumar — Eight Capital

Good morning, guys.

John Sicard

Good morning.

Suthan Sukumar

The first question from me is just kind of given this continued strong traction you're seeing in core markets, but with a growing pipeline, can you speak to some of the progress you're making in new verticals, especially some of the nonmanufacturing opportunities that you've touched on in the past?

John Sicard

Well, the primary … I would say the primary acceleration, if I was to pick one vertical where we're seeing acceleration—not necessarily the same volumes as we've discussed around life sciences, which continues to be very warm for us—but the primary acceleration right now is in the automotive industry. And we've mentioned Toyota; we've announced Nissan in the past; there are others. I've just mentioned there's a fifth which we have not announced. That's an area for us of great interest. It's a vertical right now undergoing tremendous transformation as it relates to supply chain, and so it's ripe.

Suthan Sukumar

Right.

John Sicard

And it's also one of those verticals similar to life sciences where you can gain trust by association. The fact that you have learned the supply chain space within some of the largest companies in automotive, let's just say it attracts; it's a bit of a magnet, right? It creates a little bit of attraction for those we're targeting and pursuing.

Suthan Sukumar

Okay. Okay. Great. And could you provide a sense of your customer tally today compared to last year? Any change in the size of your prospective customer base? And any observations on kind of the changing nature of some of the customers that you're seeing?

Richard Monkman

Well, the customer base absolutely continues to grow. We don't disclose the exact number of customers because we can have an arrangement with a customer that's in the order of 5 million or more per year, and we can have an arrangement that's in the 500,000. Our focus is really securing—it's a land-expand model—securing that initial relationship with the customer, showing the value, and then providing them strong ROI so they will continue to grow.

And so we're at the juncture whereby I will tell you it's growing, and as you can see it's growing also in the top line, but we're not actually providing the specific customer count.

Suthan Sukumar

Okay. Great. Thanks, guys. I'll pass the line.

Operator

Next question comes from Rob Young from Canaccord. Your line is open.

Rob Young — Canaccord

Hi. Good morning. And sorry about some of the background noise on my line here. First question I wanted to ask is about the two large auto OEMs you've just recently … you've added. It seemed as though the sales cycle on those was accelerated, was faster, and I think you said earlier in the call that you hadn't really seen any change in the duration of the overall sales cycles. I was wondering if you could talk about that, if I'm right there? And what might have driven it?

John Sicard

Yeah. So both of those accounts were in play for some time. They happened to close one following the other in relative close proximity. But I wouldn't necessarily suggest that the overall sales cycle was reduced for one or the other.

I think what I can say as it relates to the automotive space is as we gain momentum with some massive name brands—and obviously we're thrilled when you can earn the trust and confidence from one of the world's largest companies, let alone largest automotive company—it generally will create interest from many others. And so that's where we see, again, as I've mentioned if I was to pick one that was accelerating, a vertical that was accelerating, it would be that vertical ahead of others.

So to answer your question, Rob, I'd say there isn't necessarily anything you can learn from overall sales cycle length. We still even for these—many of them very conservative—they know they're making a decision on supply chain transformation. We become part of their business fabric, and so they take that very seriously and put us through our paces.

Rob Young

Okay. Second question to me is around the partner-led deployments you said earlier in the call. Are these partners, are they starting to take the lead on the lead generation and like talking to their customers and telling them that Kinaxis is the best solution? Or are they waiting for the customers to make that decision themselves and then helping them through the deployment? Is anything changing there in the way that they're engaging?

John Sicard

Yeah. I think they're, as we mentioned, this technique—and I really am quite passionate about it, obviously—I think more than just this unique technology that we've invented is that we've invented in a new technique in how to plan a supply chain is what the message, I'll call it the lead message, that our partners are working with.

And yes, in many cases they're bringing us prospects because of conversations that they're having with their customers about concurrent planning. And if one of these manufacturers makes that decision that concurrent planning is the future, is the breakthrough they're looking for, well there's really only one place to buy it. And that's where that relationship gets merged with us.

Rob Young

Okay. And the last question for me is just around the subscription revenue growth guidance. If I look back at Q4 last year, the guidance that you gave is a little bit higher than it is now. And it sounds as though you're very bullish about particularly 2019, but it also sounded that the outlook is very strong. And so I'm curious, are there onetime items in there? Or do I need to think about why the subscription revenue growth would be lower at this time than it was when you gave it last year? And then I'll pass the line. Thank you.

Richard Monkman

Well, the beauty of subscription revenue and also given our stickiness is that we view that very much as a stair function that continues to grow. We are guiding above the performance level in '17, and as our practice, Rob, we'll monitor that and provide guidance as we move through the year.

As I noted briefly earlier on the call, one of our key metrics is looking at sort of our 80 percent rule as to what's actually locked and loaded. One of the things that is … also that we're sensitive to is that we are interested in the long-term relationship with a customer. And we're not going to focus on a quarter-over-quarter view, and so therefore our ability to close a customer starting, say, on July 1st, obviously drives more revenue than if a customer were to start September 1st. But if it makes sense for the customer to feel comfortable and for us to make sure that the relative values are aligned, that it's deferred, then we're going to—that might take a little bit longer to close.

So it really is focused on the long-term, cumulative subscription revenue growth. And we'll revisit this guidance as appropriate at our May call.

Rob Young

Okay. Okay. Thank you.

Operator

At this time, I will turn the call over to Mr. Wadsworth for closing remarks.

Rick Wadsworth

Thanks, Operator. Thanks, everyone, for participating on today's call. We appreciate your questions and your ongoing interest and support of Kinaxis.

We look forward to speaking with you again in May when we report our Q1 2018 results.

Goodbye.

Operator

This concludes today's conference call. You may now disconnect.

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