

EQUITY RESEARCH

August 16, 2022

Flash Research

KINAXIS INC.

Acquires MPO – Extending Into Supply Chain Execution

Conclusion: Incremental Positive. Kinaxis announced the \$45 million acquisition of European-based MPO this morning. MPO provides a SaaS-based platform for order orchestration, inventory and transport. With the acquisition, Kinaxis extends its platform into supply chain execution, allowing users of Kinaxis' RapidResponse platform to dynamically respond to disruptions in transportation and providing a more complete picture of every order across the lifecycle. We assume that the acquisition will be neutral to Kinaxis' 2023E financials and potentially increasingly positive in later years as Kinaxis cross-sells MPO into its base.

Highlights

Acquires MPO: MPO offers a SaaS-based platform for multi-party orchestration of orders, inventory and management. Kinaxis paid \$45 million (75% cash/25% equity) for the acquisition, with the equity consideration dependent on the acquisition meeting certain revenue and execution goals. The transaction closed August 15. No additional financial details were provided.

Extends The Platform Into Supply Chain Execution: The MPO acquisition extends Kinaxis' platform into supply chain execution, allowing the company to provide offerings from planning through last-mile execution. The combination of the two platforms offers customers a view across the supply chain lifecycle – from planning to delivery – allowing planners using RapidResponse to react and respond to disruptions in transportation and logistics.

Adds Depth To Industry Verticals: MPO focuses on similar industry verticals to Kinaxis, adding further industry-specific depth to its offering. MPO's vertical specializations include manufacturing, retail, high tech and pharma/healthcare, in addition to wholesale/distribution providers.

Expect M&A To Continue: Kinaxis ended Q2 with net cash of \$258 million. With private market valuations potentially falling, we see it as an attractive market for M&A and view Kinaxis as well positioned to continue to execute on tuck-ins that build out its solution set.

Stephanie Price, CFA
+1 416-594-7047
Stephanie.Price@cibc.com

Scott Fletcher, CPA, CA
+1 416-956-3229
Scott.Fletcher@cibc.com

Natalie Zhang, CFA
+1 416-581-2120
Natalie.Zhang@cibc.com

Javeria Gaya, CPA
+1 416-594-7261
Javeria.Gaya@cibc.com

Outperformer

KXS-TSX, Sector: Information Technology

Current Price (8/16/22): C\$167.65

Price Target (12-18 mos.): C\$190.00

Price Target Calculation

We calculate Kinaxis' price target of C\$190 based on a 10x EV/Sales multiple on our 2023E revenue under the current capital structure.

Key Risks To Price Target

The primary risks to our price target include the following: 1) customer concentration risk; 2) economic conditions; 3) ability to scale; and, 4) competition.

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CIBC World Markets Inc. Price Chart

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