

serko

Interim Results Presentation

20 November 2019

DISCLAIMER

- This presentation has been prepared by Serko Limited. All information is current at the date of this presentation, unless stated otherwise. All currency amounts are in NZ dollars unless stated otherwise.
- Information in this presentation
 - is for general information purposes only, and does not constitute, or contain, an offer or invitation for subscription, purchase, or recommendation of securities in Serko Limited for the purposes of the Financial Markets Conduct Act 2013 or otherwise, or constitute legal, financial, tax, financial product, or investment advice;
 - should be read in conjunction with, and is subject to Serko's Interim Financial Statements and Annual Reports, market releases and information published on Serko's website (www.serko.com);
 - includes forward-looking statements about Serko and the environment in which Serko operates, which are subject to uncertainties and contingencies outside Serko's control – Serko's actual results or performance may differ materially from these statements;
 - includes statements relating to past performance information for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance;
 - may contain information from third-parties believed to be reliable, however, no representations or warranties are made as to the accuracy or completeness of such information.
- Non-GAAP financial information does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities. The non-GAAP financial information included in this release has not been subject to review by auditors. Non-GAAP measures are used by management to monitor the business and are useful to provide investors to access business performance.
- Interim results are unaudited.

The background is a blue-tinted aerial photograph of a city skyline, featuring numerous skyscrapers. Two white curved lines are overlaid on the image: one starts from the bottom left and curves upwards towards the center, and the other starts from the top right and curves downwards towards the center.

CEO Welcome

serko

FY20 Financial Highlights

The FY20 Half Year Results to 30 September 2019 are unaudited. The half year results have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards including the adoption of IFRS 16 (Leases) from 1 April 2019. All other accounting policies have been applied on a consistent basis with those used in previous years.

serko

PERFORMANCE DASHBOARD – Half Year FY20

FY20 (H1) VS FY19 (H1) - Unaudited

PROFIT (LOSS)

(\$0.9m)

NET LOSS AFTER TAX

\$1.4m

EBITDAF¹ positive inline with prior corresponding period

REVENUE

29%

↑ INCREASE

OPERATING REVENUE

\$14.7m

Operating revenue from core products plus services revenue

38%

↑ INCREASE

RECURRING REVENUE²

\$13.3m

Recurring revenue (core product revenue only)
91% of total operating revenue

29%

↑ INCREASE

TOTAL INCOME

\$15.2m

Total income from all sources including grants

ACTIVITY

35%

↑ INCREASE

PEAK ATMR³

\$26.2m

Indicator of future growth potential based on current trading

4.5%

↑ INCREASE

TRAVEL BOOKINGS

2.2m

Travel platform bookings for the period

COSTS

132%

↑ INCREASE

R&D COSTS⁴

\$8.9m

61% of Revenue
Opex \$2.5m
Capex \$6.4m

46%

↑ INCREASE

OPERATING EXPENSES

\$15.7m

Net FTE⁵ increase in the period of 35 to 208 employees

Notes 1 – 5: Refer to Appendix for definitions.

NET PROFIT SUMMARY/ EBITDAF RECONCILIATION

- Operating Revenue of \$14.7m up 29%
- EBITDAF positive of \$1.4m in line with prior year
- Net loss for the period of \$0.9m includes fair value adjustment relating to contingent consideration of \$0.6m

Net Profit Summary EBITDAF Reconciliation	H1 FY20 6 months \$'000	H1 FY19 6 months \$'000	change \$'000	change %	FY19 12 months \$'000
Operating Revenue	14,671	11,350	3,321	29%	23,361
Other income (including Grants)	541	465	76	16%	1,215
Total income	15,212	11,815	3,397	29%	24,576
Operating expenses Percentage of operating revenue	(15,651) -107%	(10,686) -94%	(4,965)	-46%	(23,320) -100%
Net finance income (losses)	(375)	(177)	(198)	-112%	290
Net profit before tax Percentage of operating revenue	(814) -6%	952 8%	(1,761)	-186%	1,546 7%
Income tax expense	(52)	(32)	(20)	-63%	87
Net profit (loss)	(866)	920	(1,781)	-194%	1,633
Add back: income tax expense	52	32	20	63%	(87)
Add back (Deduct): net finance (income)/expenses	375	177	195	112%	(290)
Add back: depreciation and amortisation ¹	1,248	361	895	246%	1,048
Add back: fair value measurement ²	585	-	585	n/a	287
EBITDAF	1,394	1,490	(96)	-6%	2,591
EBITDAF margin	10%	13%			11%

¹ Depreciation includes rental costs of \$0.5 million which have been reclassified under IFRS16 (Leases) adoption

² Fair value remeasurement of contingent consideration on deferred consideration for InterplX acquisition added to EBITDA as non-cash expense

REVENUE ANALYSIS

- Recurring revenue up 38%
- Travel platform revenue up 20% primarily related to conversion to new Serko Zeno contracts as transactions for Australasia up 4.5%
- Expense platform revenue includes contribution from InterplX acquisition of \$1.9m for the period
- Expense revenue related to Serko Expense up 22%
- Content commission steady against prior year
- Services revenue down on prior year as development resources focused on NORAM activation (as planned)
- Average Revenue per Booking for the period was \$6.05 based on recurring revenue of \$13.3m over 2.2m bookings.

Revenue and Other Income by Type

	H1 FY20 6 months \$000	H1 FY19 6 months \$000	change \$000	change %	FY19 12 months \$000
Travel platform revenue	9,243	7,721	1,522	20%	15,948
Expense platform revenue	2,990	884	2,106	238%	2,710
Content commissions	837	834	3	0%	1,538
Other revenue	243	189	54	29%	467
Recurring revenue	13,313	9,628	3,685	38%	20,663
Recurring revenue % operating revenue	91%	85%			89%
Services revenue	1,358	1,722	(364)	-21%	2,698
Total operating revenue	14,671	11,350	3,321	29%	23,361
Government grants	541	461	80	17%	1,208
Sundry income	-	4	(4)	-100%	7
Total other income	541	465	76	16%	1,215
Total revenue and other income	15,212	11,815	3,397	29%	24,576

Operating Revenue by Geography

Australia	10,366	9,399	967	10%	18,238
New Zealand	1,376	998	378	38%	3,440
North America	2,712	815	1,897	233%	1,471
Other	217	138	79	57%	212
Total operating revenue	14,671	11,350	3,321	29%	23,361

OPERATING EXPENSES

- Operating Costs increased as a result of increased head count and costs associated with expansion into NORAM markets and include InterplX operating costs in the period whereas these are not included in the same period last year.

Operating Expenses	H1 FY20 6 months \$000	H1 FY19 6 months \$000	change \$000	change %	FY19 12 months \$000
Selling and marketing	1,224	959	265	28%	1,691
Remuneration and benefits	7,709	6,179	1,530	25%	13,135
Administration expenses	4,884	2,769	2,115	76%	6,563
Other expenses	1,834	779	1,055	135%	1,931
Total Operating Expense	15,651	10,686	4,965	46%	23,320
Percentage of Operating Revenue	107%	94%			100%

RESEARCH & DEVELOPMENT

- Total R&D costs increased by \$5.1m over prior year due to investment into market requirements for new Northern Hemisphere territories

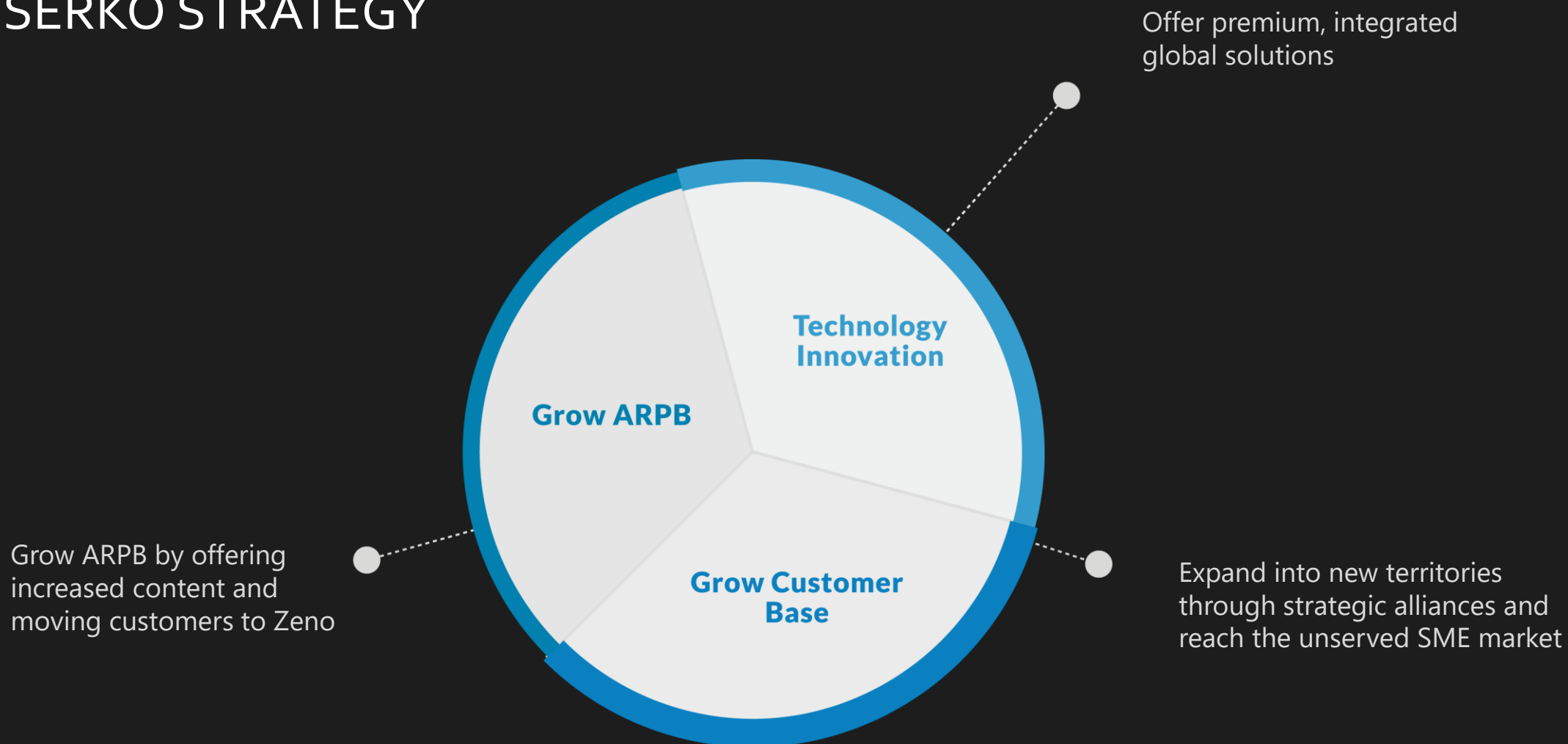
R&D Costs – Expensed	H1 FY20 6 months \$000	H1 FY19 6 months \$000	change \$000	change %	FY19 12 months \$000
Total R&D costs (including amounts capitalised)	8,921	3,843	5,078	132%	9,165
Percentage of operating revenue	61%	34%			39%
Less: capitalised product development costs	(6,376)	(1,903)	(4,473)	-235%	(6,740)
Percentage of R&D costs	71%	50%			74%
Research costs (excluding amortisation of amounts previously capitalised)	2,545	1,940	605	31%	2,425
Percentage of operating revenue	17%	17%			10%
Less: Government grants relating to research	(408)	(461)	53	11%	(876)
Add: Amortisation of capitalised development costs	631	240	391	163%	754
Net product development costs expensed	2,768	1,719	1,049	61%	2,303
Percentage of operating revenue	19%	15%			10%

The background is a high-angle, blue-tinted aerial photograph of a city skyline, featuring numerous skyscrapers and dense urban development. Two large, white, curved lines are overlaid on the image: one starts from the top right and curves downwards towards the center, and the other starts from the bottom left and curves upwards towards the center.

Strategic Updates

serko

SERKO STRATEGY

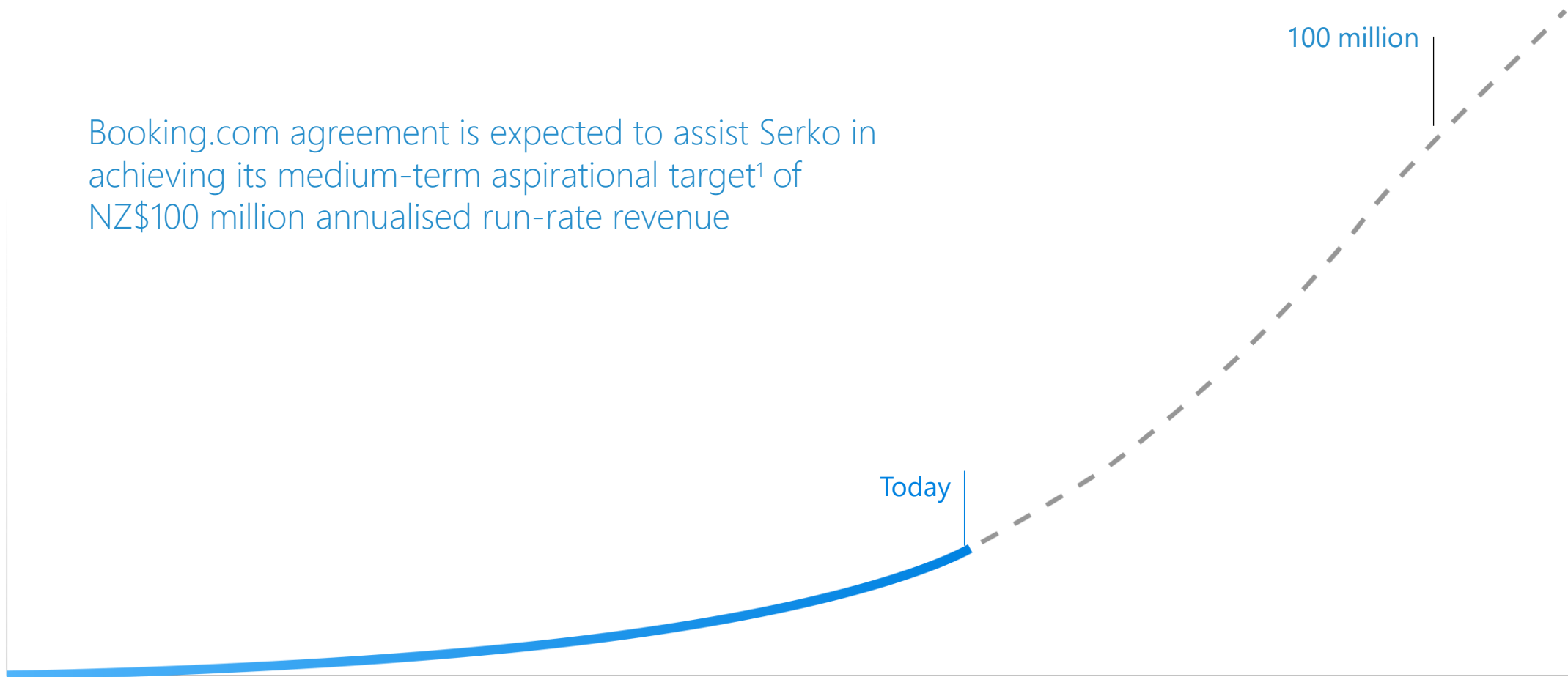


ARBK : Average Revenue Per Booking is a non-GAAP measure.

SERKO STRATEGIC GOAL

\$100 MILLION PER ANNUM

Booking.com agreement is expected to assist Serko in achieving its medium-term aspirational target¹ of NZ\$100 million annualised run-rate revenue



¹ Announced at its recent 2019 Annual Meeting

AGREEMENT WITH BOOKING.COM

- As announced on 24 October 2019, concurrent with Booking Holdings' cornerstone investment in Serko, Booking.com has signed commitments to expand its existing agreement with Serko, so that Booking.com can offer and promote Serko Zeno to its business traveller customers.
- The expanded agreement is expected to help advance each of our strategic objectives:
 - Offer premium, integrated global solutions
 - Expand into new territories through strategic alliances and reach the unserved SME market
 - Grow ARPB by offering increased content and moving customers to Serko Zeno
- Serko expects the expanded agreement with Booking.com to result in significant benefits for Serko's customers and TMC partners by broadening and improving 'whole of journey' content, accelerating the global rollout of Serko Zeno, and increasing commissions to the TMC community.
- The expanded agreement is not expected to have a material impact on Serko's revenues in the current financial year to 31 March 2020, due to the phased development work required and a performance-based rollout plan for Booking.com's global business traveller customers. If achieved, as anticipated, during the 2020 calendar year, the expanded agreement is expected to result in a material uplift in Serko's revenue (via increased Average Revenue Per Booking and transaction booking revenue) in the 2021 financial year and beyond; and is expected to assist Serko in achieving its medium-term aspirational target of NZ\$100 million of annualised run-rate revenue.

OTHER STRATEGIC UPDATES

- Total travel corporate customers (Serko Online and Zeno) grew by a net 327 over the period. Zeno transaction volumes increased 200% over the same period last year, and over 1,300 corporate customers transacted on Zeno during the six month period to 30 September 2019. Zeno transaction volumes represented 13% of Online bookings at September 2019. This has grown to over 15% in October. Total bookings for October, if annualised by multiplying by 12 months, exceeded 5m bookings.
- We have invested heavily in the Serko Zeno platform for expansion into the North American markets during the period. Serko now has live bookings in North America following beta release in September 2019. We expect transactions to gradually increase over the remainder of the financial year with the continued onboarding of new corporates, as signed Travel Management Companies (TMCs) complete their user acceptance testing and progress to pilot customers. ZS Associates through Luxe Travel Management have now also commenced using Zeno. Luxe Travel Management are part of the Radius Travel buying group. This agreement allows other TMC resellers within the Radius group to access Zeno.
- UK markets, while not material to the period, continue to grow. Investment continues in Europe, however, at a slower rate than anticipated due to prioritisation of the NORAM market roll-out. It is intended that a portion of the proceeds of the capital raising announced in October will be used to accelerate development of the European market.
- As disclosed in the capital raise, Serko is currently in advanced commercial discussions with a global payments provider to provide a white label version of Zeno to its SME customers, initially in Australasia, with the potential to offer in additional geographies in the future. Commercial arrangements are currently under negotiation and have not yet been entered into.
- Serko also continues to invest in NDC¹. The expansion of content and ancillary offerings through NDC offers new revenue stream opportunities through Serko Zeno. Serko has committed to support NDC via both direct connection and GDS, and has announced NDC partnerships with Qantas, Air Canada, Southwest Airlines and ATPCO's NDC Exchange in the past 12 months. Serko Zeno is now live with end-to-end NDC booking capability through the Qantas Distribution Platform (QDP), following a successful pilot with launch partner CT Connections.

¹ NDC (New Distribution Capability) is a travel industry-supported program launched by IATA for the development and market adoption of a new, XML-based data transmission standard that enhances the capability of communications between airlines, travel agents and aggregators.

The background is a high-angle, blue-tinted aerial photograph of a city skyline, featuring numerous skyscrapers. Two large, white, curved lines are overlaid on the image: one starts from the top right and curves downwards towards the center, and the other starts from the bottom left and curves upwards towards the center.

Outlook Statement

serko

FY20 OUTLOOK



- Total Operating Revenue Growth for the full year is expected to be in the range of 20%-40%. However, currency fluctuations and the timing of customer onboarding will be key factors in determining the final result, as previously advised to the market.
- In Australasia, growth in 'same corporate' bookings has softened over the past few months, which we attribute to a general slowdown in the Australian and New Zealand economies and declining business confidence. Despite this, Serko has grown corporate customers by 327 over the half and this user growth has offset the impact on Serko's total revenue growth. We continue to focus on global expansion and this will assist Serko to mitigate any local market slow down. The impact of these trends continues to be monitored.
- The cash balance at 30 September 2019 was \$10.3 million, which represented cash burn for the period of \$5.5 million. Cash burn is expected to continue for the second half as development is accelerated for new market expansion. Cash balances at 31 October, post the primary capital raise were \$48.6 million. A further \$5 million is expected to be raised via the recent Share Purchase Plan, which closed last week.
- Serko now has live bookings in North America following beta release last month. We expect transactions to grow in the second half of the financial year with continued onboarding of new corporates as signed Travel Management Companies complete user acceptance testing and progress to pilot customers. The timing of the uptake is unknown and subject to variables. Continued development of additional local content is expected to further increase bookings and support the migration of additional corporates.
- European markets are not expected to contribute materially in FY20 (due to the prioritisation of the NORAM market roll-out). However, a portion of the proceeds of the recent capital raising will be used to accelerate development of the European market, which will result in increased FY21 revenue.

The background is a high-angle, aerial photograph of a city skyline, likely New York City, with numerous skyscrapers. The entire image is covered with a semi-transparent blue filter. Two large, white, curved lines are overlaid on the image: one starts from the top right and curves downwards towards the center, and the other starts from the bottom left and curves upwards towards the center.

Q&A

serko



Appendices:

- Company Snapshot
- Definitions

ABOUT SERKO

FOUNDED IN 2007



Innovative Solutions

Serko is a technology company focused on innovative solutions that address the challenges of corporate travel and expense management. The majority of Serko's revenue comes from Travel Management Companies (TMCs) ("Resellers"), who provide our online travel booking (OBT) solution to their corporate customers. Serko also sells Expense management solutions to corporate customers directly.



Market Leader

Serko is a leading supplier of travel technology solutions for TMCs in Australasia and is now expanding into Northern Hemisphere markets with multiple signed reseller agreements in North America and a global agreement with ATPi and Booking.com.



NZX/ASX Listed

Serko listed on the New Zealand stock exchange in June 2014. In June 2018, Serko listed as a foreign exempt listing on the Australian Securities Exchange. Serko trades under the ticker 'SKO' on both exchanges.

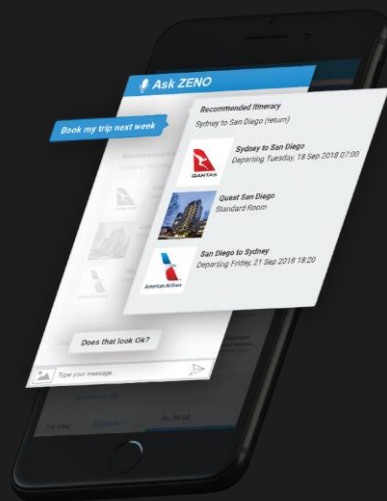
Serko employs around 200 people worldwide with its HQ in New Zealand, and offices across Australia, the U.S. and China

SERKO PRODUCTS



Zeno Travel

Zeno Travel is an Online Booking Tool (OBT) that corporate travellers use to book flights, trains, hotels, rental cars and airport transfers in line with their corporate travel policies.



Zeno Expense

Zeno Expense automates the process of corporate card and out-of-pocket expense submission, reconciliation and reimbursement.

COMMERCIAL MODEL



Year Ended 31 March	2019
	\$'000
Travel platform booking revenue	15,948
Expense platform revenue	2,710
Supplier commissions revenue	1,538
Other revenue	467
Recurring Product Revenue	20,663
Percentage of total revenue	89%
Services revenue	2,698
Total Revenue	23,361

Corporate traveller makes a booking via Serko Online/Zeno



Booking and other fees

Serko charges the TMCs a fee per booking (which varies based on volume).

Traveller submits receipts using Serko Expense/Zeno



Monthly user fee

Serko Expense customers pay a fee based on the number of active users each month directly to Serko.

Traveller books hotel or taxi via Serko Online/Zeno



Supplier commission

Serko also generates revenue through commissions on hotels, rental cars, airport transfers and other travel providers that are booked through its platform.

Traveller downloads and uses Serko Mobile



Mobile subscription

Serko earns other miscellaneous revenue such as mobile licenses

Additional Services



Services Revenue

Paid customisation, marketplace integration or implementation assistance

PERFORMANCE DASHBOARD – Full Year FY19

FY19 VS FY18

PROFIT (LOSS)

\$1.6m

NET PROFIT
AFTER TAX

\$2.6m

EBITDAF¹
up 19% over prior
year

REVENUE

28%

↑ INCREASE

OPERATING
REVENUE

\$23.4m

Operating revenue
from core products
plus services revenue

26%

↑ INCREASE

RECURRING
REVENUE²

\$20.7m

Recurring revenue
(core product
revenue only)
89% of total
operating revenue

28%

↑ INCREASE

TOTAL
INCOME

\$24.6m

Total income from all
sources including
grants

ACTIVITY

41%

↑ INCREASE

PEAK ATMR³

\$26m

Indicator of future
growth potential
based on current
trading

17%

↑ INCREASE

ONLINE
BOOKINGS

4.14m

Travel platform
bookings

COSTS

87%

↑ INCREASE

R&D COSTS⁴

\$9.2m

39% of Revenue
Opex \$2.4m
Capex \$6.7m

32%

↑ INCREASE

OPERATING
EXPENSES

\$23.3m

Net FTE⁵ increase in
the year of 67

HISTORIC MEASURES for financial years (31 March)

Selected Operational Metrics	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Total revenue growth (%)	27%	39%	55%	27%	9%#	28%	28%
Revenue growth – Travel Platforms (%)	41%	12%	62%	49%	8%	23%	20%
Total travel booking transactions (000s)	987	1,107	1,588	2,407	2,913	3,526	4,138
Online booking transactions ¹ (000s)	821	1,011	1,468	2,262	2,673	3,207	3,743
Online transaction growth (%)	35%	23%	45%	54%	18%	20%	17%
Recurring product revenue as % total revenue	84%	71%	80%	93%	91%	90%	89%
Operating costs ² (% change)	35%	62%	105%	13%	(10%)	(5%)	29%
Employees (number at end of year - FTE)	47	87	133	127	108	106	173
Average revenue per FTE (NZD\$000)	119	100	94	101	122	170	167
Research & development costs - expense and capex (NZD\$000)	2,340	3,387	5,762	6,268	5,836	4,906	9,165
Annualised transactional monthly revenue (ATMR) (NZD\$m)	*	*	*	11.2	15.3	18.4	26.0

¹ – Online bookings exclude Offline and Custom bookings (system generated bookings) which are included in Online booking pricing or at a reduced rate

² – Operating costs are Operating Expenses excluding depreciation and amortisation and fair value remeasurements of contingent consideration

* – indicates not previously measured or reported

– FY17 revenue was affected by adverse foreign exchange rates

DEFINITIONS

- Peak ATMR (Annualised Transactional Monthly Revenue) is a non-GAAP measure. Serko uses this as a useful indicator of recurring revenues from Serko products. It is calculated by annualising the combination travel and expense platform monthly revenues for the most recent non-seasonal month. The travel platform revenue is annualised by taking the monthly online booking transactions divided by the number of weekdays for that month multiplied by the average ARPB and multiplied by 260 days. The expense platform revenue is based on the monthly revenue from active users multiplied by 12 months.
- ARPB (Average Revenue Per Booking) is a non-GAAP measure. Serko uses this as a useful indicator of the combined value from transactional booking fees and the supplier commissions earned from the travel platform. It is calculated by taking total travel platform booking revenue and supplier commission revenue divided by the total number of bookings.
- Recurring product revenue (a non-GAAP measure) is the recurring revenue derived from transactions and usage of Serko products by contracted customers. It excludes revenues from customised software development (services revenue).
- R&D (Research & Development) costs is a non-GAAP measure representing the internal and external costs related to R&D both expensed and capitalised.
- Operating Costs is a non-GAAP measure which excludes costs relating to taxation, interest, depreciation, and amortisation charges.
- EBITDAF is a non-GAAP measure representing Earnings Before the deduction of costs relating to Interest, Taxation, Depreciation and Amortisation and Fair value remeasurement of contingent consideration.
- FTE = Full time equivalent employee.

Thank you

serko