



serko

FY20 Results Presentation

24 June 2020

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CEO Welcome

serko

AGENDA

CEO
Welcome

Covid-19:
Serko's
Response

Strategic
Updates

Financial
Summary

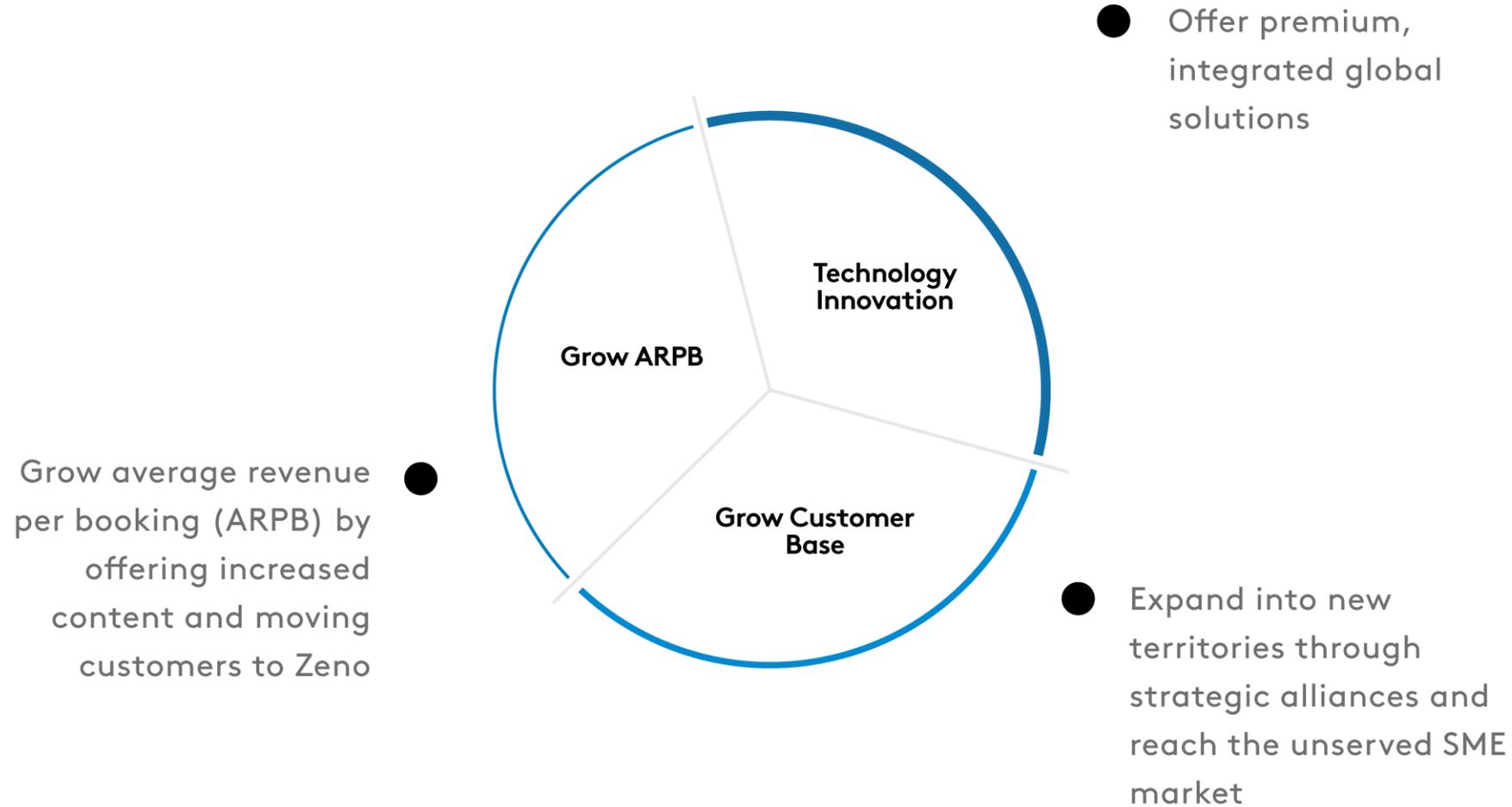
Outlook
Statement

COVID-19 : SERKO's RESPONSE

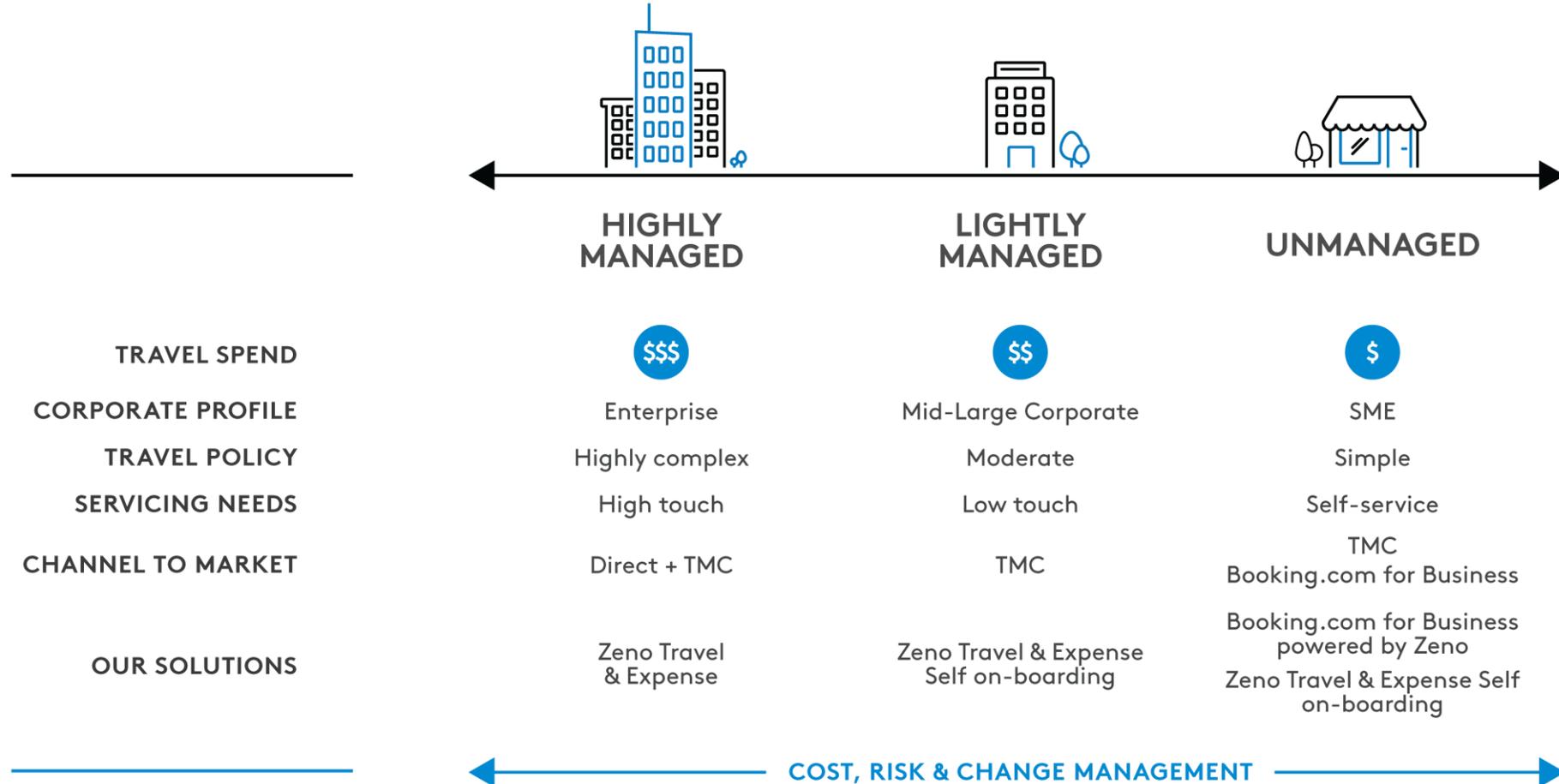
- For 11 months of the financial year ended 31 March 2020 Serko achieved monthly revenue growth over the prior year. However, in March transactions fell sharply as the Covid-19 pandemic became widespread.
- Serko responded by implementing strategies under the themes of “Survive, Optimise and Thrive”;
 - *Took steps to ensure our people were safe and supported the transition to work from home*
 - *Reduced cash burn through cost reduction program*
 - *Retained resource and capacity on key growth initiatives*
 - *Re-prioritised strategic initiatives to re-position the business for the new operating environment*
- Booking volumes gradually started to recover in May2020, steadily increasing by June 2020 to about 25% of the daily booking volumes of June 2019.
- 3,200 corporate customers made a booking during the first three weeks of June 2020.
- Target average cash burn rate of no more than \$2 million per month to the end of FY21
- Cash reserves of \$42.4 million as of 31 March 2020 provides sufficient headroom based on current assumptions.

Strategic Updates

SERKO STRATEGY



SUPPORTING THE FUTURE OF BUSINESS TRAVEL



BOOKING.COM AGREEMENT

- As announced in October 2019, Booking Holdings' made a cornerstone investment in Serko and Booking.com expanded its existing agreement with Serko, so that Booking.com can offer and promote Zeno to its business traveller customers.
- 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.
- Zeno will be white-labeled as Booking.com for Business and the intention is to progressively roll this offering out to its business customer base internationally subject to Serko meeting prescribed performance criteria.
- Closed pilot of Zeno white-label solution for existing Booking.com for Business in the United Kingdom and Ireland has been launched.

AUSTRALASIA MARKET UPDATE

- The majority of Serko's revenues came from Australia and New Zealand domestic bookings.
- Year on year booking growth each month through to February 2020. Peak of 24,000 bookings daily bookings in February 2020*.
- Gradual decline in bookings in February, followed by sharp decline in March 2020.
- Total travel corporate customers (Serko Online and Zeno) grew by over 700 for the year to a total of approximately 6,800**.
- Zeno transaction volumes grew to 25% of total bookings by March 2020, up from approximately 6% a year prior.
- In June 2020 42% of all transacting corporate customers were using Zeno.
- In response to Covid-19 a Serko Expense Express offering was launched in the Australian and New Zealand markets in March 2020 with a low-cost, rapid implementation solution that has resulted in an increased pipeline of expense opportunities.

*Note: Bookings have subsequently materially reduced as a result of Covid-19

** Comparing February 2019 and February 2020

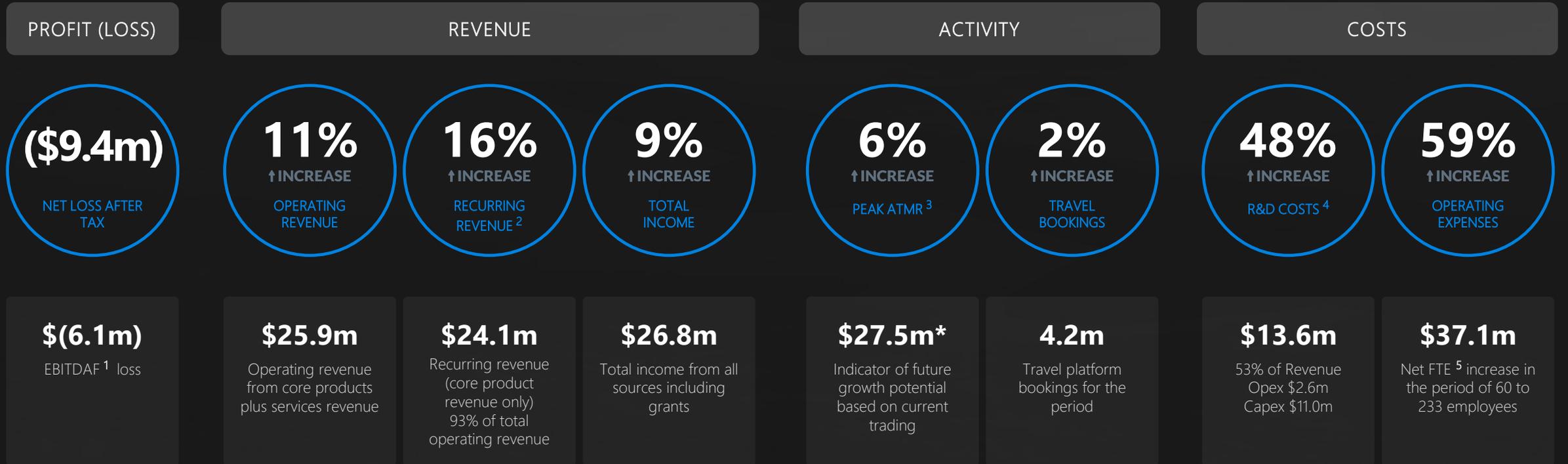
NORTH AMERICA MARKET UPDATE

- We have invested heavily in the Serko Zeno platform for expansion into the North American markets during the year.
- Serko had its first live bookings in North America following beta release in September 2019, but in line with our expectations revenue from this market was not significant for the year.
- Some Travel Management Company resellers were completing their user acceptance testing when Covid-19 hit in February and onboarding progress has slowed.
- Transactions effectively ceased due to lockdown restrictions in market.
- Since March we have added three new Travel Management Company resellers and are in the process of activating these partners.
- Signed Zeno Expense reseller partnership with buying group Omnia Partners and joined the Oracle NetSuite SuiteApp partner program.

FY20 Financial Summary

PERFORMANCE DASHBOARD – FY20

FY20 VS FY19



Notes 1 – 5: Refer to Appendix for definitions.

*Note: ATMR has subsequently reduced materially as a result of Covid-19

NET PROFIT SUMMARY/ EBITDAF RECONCILIATION

- Revenue of \$25.9m up 11% (Slide 15)
- Total income (including grants) up 9% to \$26.8m
- Operating expenses of \$37.1m up 59% (Slide 16)
- EBITDAF loss of (\$6.1m) versus profit of \$2.6m in prior year
- Net loss for the period of (\$9.4m) includes:
 - Depreciation and amortisation of \$3.2m includes \$1.0m being depreciation on right of use assets (leased premises)
 - Non-cash fair value adjustment relating to contingent consideration of \$1.1m for InterplX acquisition with the final tranche of shares issued in February 2020
 - Net finance income primarily related to interest income (\$0.4m) and foreign exchange gains (\$0.7m)

Net Profit Summary EBITDAF Reconciliation	FY20	FY19	change	change
	\$000	\$000	\$000	%
Revenue	25,869	23,361	2,508	11%
Other income (including grants)	922	1,215	(293)	-24%
Total income	26,791	24,576	2,215	9%
Operating expenses	(37,092)	(23,320)	(13,772)	-59%
Percentage of operating revenue	-143%	-100%		
Net finance income	975	290	685	236%
Net profit before tax	(9,326)	1,546	(10,872)	-703%
Percentage of operating revenue	-36%	7%		
Income tax (expense)/benefit	(38)	87	(125)	-144%
Net (loss)/profit after tax	(9,364)	1,633	(10,997)	-673%
Add back (deduct): income tax expense (benefit)	38	(87)	125	-144%
Add back (deduct): net finance (income)/expenses	(975)	(290)	(685)	236%
Add back: depreciation and amortisation ¹	3,156	1,048	2,108	201%
Add back: fair value measurement ²	1,056	287	769	268%
EBITDAF	(6,089)	2,591	(8,680)	-335%
EBITDAF margin	-24%	11%		

¹ Depreciation includes building rental costs of \$1.0 million which have been reclassified as Right of Use Assets and depreciated under IFRS16 (Leases) adoption

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

REVENUE ANALYSIS

- Recurring revenue (excluding Services revenue) at \$24.1m up 16%; 93% of total operating revenue.
- Travel platform booking revenue up 2% was Covid impacted during Q4
 - Travel platform total bookings at 4.2m versus 4.1m in the prior year, up 2%
 - Online transactions down at 3.72m vs 3.74m in the prior year
 - Covid impact on Travel platform revenue: IFRS15 adverse minimum revenue adjustments due to declining forecasts for remainder of contracts**
 - Serko Expense platform revenue at \$5.8m up 115%, includes full year contribution from the Dec 2018 InterplX acquisition of \$3.7m (3 months FY19: \$0.9m). Expense revenue related to Serko Expense at \$2.1m up 16%.
- Supplier commissions revenue down marginally against prior year at \$1.4m.
- Services revenue at \$1.8m down on prior year as development resources focused on NORAM activation and Booking.com for Business platform.
- Average Revenue per Booking (based on total recurring revenue/total online bookings) for the year was \$6.46 up 17% from \$5.52 in prior year, primarily attributable to InterplX.

Revenue and Other Income by Type

	FY20	FY19	change	change
	\$000	\$000	\$000	%
Travel platform booking revenue	16,307	15,948	359	2%
Expense platform revenue	5,831	2,710	3,121	115%
Supplier commissions revenue	1,427	1,538	(111)	-7%
Other revenue	485	467	18	4%
Recurring revenue	24,050	20,663	3,387	16%
Recurring revenue % operating revenue	93%	89%		
Services revenue	1,819	2,698	(879)	-33%
Total revenue	25,869	23,361	2,508	11%
Government grants	922	1,208	(286)	-24%
Sundry income	-	7	(7)	-100%
Total other income	922	1,215	(293)	-24%
Total income	26,791	24,576	2,215	9%

Operating Revenue by Geography

Australia	18,218	19,335	(1,117)	-6%
New Zealand	2,465	2,343	122	5%
North America	4,823	1,471	3,352	228%
Other	363	212	151	71%
Total operating revenue	25,869	23,361	2,508	11%

OPERATING EXPENSES/HEAD COUNT

- Operating Costs increased by 59% to \$37.1m, includes full year of InterplX and expansion costs.
- Remuneration and benefits increased 48% to \$19.4m (Head count increases –refer below).
- Selling and marketing increased \$1.3m primarily related to new third party connection charges introduced in AUS/NZ.
- Hosting expense of \$3.4m increased 74% primarily due to increased infrastructure for system stability and set up of data bases in new territories.
- Administration costs at \$10.3m increased 64% and includes increased charges for:
 - depreciation and amortisation increase of \$2.1m
 - computer licenses increase of \$0.7m
 - professional fees increase of \$0.5m
- Increase of 60 FTE* - (FY19 increase 67).
- Subsequent to year-end employee count has increased to 240

Operating Expenses	FY20 \$000	FY19 \$000	change \$000	change %
Selling and marketing	2,989	1,691	1,298	77%
Hosting expense	3,362	1,931	1,431	74%
Remuneration and benefits	19,419	13,135	6,284	48%
Administration expenses	10,266	6,276	3,990	64%
Fair value remeasurement	1,056	287	769	268%
Total Operating Expense	37,092	23,320	13,772	59%
Percentage of Operating Revenue	143%	100%		

Head count	FY20 \$000	FY19 \$000	change \$000	change %
Product development and maintenance	146	100	46	46%
Sales and marketing	18	16	2	13%
Customer support	52	40	12	30%
Administration	17	17	0	0%
Total employee numbers at end of year (FTE*)	233	173	60	35%

*FTE (Full time equivalent)

RESEARCH & DEVELOPMENT (R&D)

- Total R&D costs increased by \$4.4m (48%) over prior year to \$13.6m due to investment into market requirements for the Northern Hemisphere.

R&D Costs	FY20	FY19	change	change
	\$000	\$000	\$000	%
Total R&D costs (including amounts capitalised)	13,606	9,165	4,441	48%
Percentage of operating revenue	53%	39%		
Less: capitalised product development costs	(11,013)	(6,740)	(4,273)	63%
Percentage of R&D costs	81%	74%		
Research costs (excluding amortisation of amounts previously capitalised)	2,593	2,425	168	7%
Percentage of operating revenue	10%	10%		
Less: Government grants relating to research	(683)	(810)	127	-16%
Add: Amortisation of capitalised development costs	1,705	754	951	126%
Net product development costs expensed	3,615	2,369	1,246	53%
Percentage of operating revenue	14%	10%		

Research & Development (R&D) cost is a Non-GAAP measure representing the internal and external costs related to R&D that have been included in operating costs and capitalised as computer software development during the period. Research expenditure includes all reasonable expenditure associated with R&D activities that does not give rise to an intangible asset. R&D expenses include employee and contractor remuneration related to these activities. It also covers research expenditure defined by NZ IAS 38.

Outlook Statement

FY21 OUTLOOK

- The business is well positioned for growth when trading conditions improve and the travel industry starts to recover.
- Timing, however, remains uncertain. As a result, we are unable to forecast our likely operating revenue for the 2021 financial year with any certainty.
- We will continue our rigorous focus on cash flow throughout the remainder of FY21, targeting an average monthly cash burn of no more than \$2 million per month, to conserve cash reserves.
- As at 31 May 2020, Serko had net cash and cash equivalents of \$39.9 million. We believe these cash resources, at the current rate of cash burn, will be sufficient to see the company through to cash flow breakeven again should our anticipated recovery scenario be achieved.

Q&A

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.

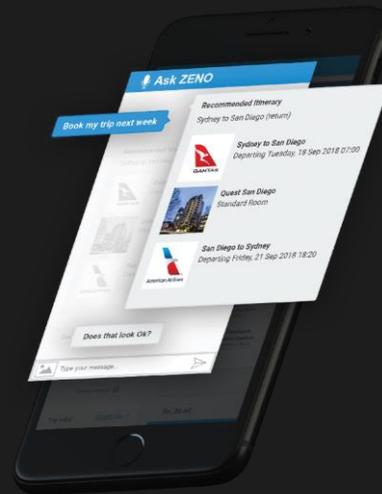
Serko employs around 240 people worldwide with its HQ in New Zealand, and offices across Australia, the U.S. and China

SERKO PRODUCTS

zeno
BY serko

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	2020
	\$'000
Travel platform booking revenue	16,307
Expense platform revenue	5,831
Supplier commissions revenue	1,427
Other revenue	485
Recurring Product Revenue	24,050
Percentage of total revenue	93%
Services revenue	1,819
Total Revenue	25,869

Corporate traveller makes a booking via Serko Online/Zeno

Traveller submits receipts using Serko Expense/Zeno

Traveller books hotel or taxi via Serko Online/Zeno

Traveller downloads and uses Serko Mobile

Additional Services

\$

Booking and other fees

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

\$

Monthly user fee

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

\$

Supplier commission

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

\$

Mobile subscription

Serko earns other miscellaneous revenue such as mobile licenses

\$

Services Revenue

Paid customisation, marketplace integration or implementation assistance

HISTORIC MEASURES for financial years (31 March)

Selected Operational Metrics	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Total revenue growth (%)	27%	39%	55%	27%	9%#	28%	28%	11%#
Revenue growth – Travel Platforms (%)	41%	12%	62%	49%	8%	23%	20%	2%
Total travel booking transactions (000s)	987	1,107	1,588	2,407	2,913	3,526	4,138	4,214
Online booking transactions ¹ (000s)	821	1,011	1,468	2,262	2,673	3,207	3,743	3,724
Online transaction growth (%)	35%	23%	45%	54%	18%	20%	17%	-1%
Recurring product revenue as % total revenue	84%	71%	80%	93%	91%	90%	89%	93%
Operating costs ² (% change)	35%	62%	105%	13%	(10%)	(5%)	29%	59%
Employees (number at end of year - FTE)	47	87	133	127	108	106	173	233
Average revenue per FTE (NZD\$000)	119	100	94	101	122	170	167	121
Research & development costs - expense and capex (NZD\$000)	2,340	3,387	5,762	6,268	5,836	4,906	9,165	13,606
Peak annualised transactional monthly revenue (ATMR) (NZD\$m)	*	*	*	11.2	15.3	18.4	26.0	27.5

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; FY20 revenue was affected by Covid-19 pandemic

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 is a non-GAAP measure and is the recurring revenue derived from transactions and usage of Serko products by contracted customers. It excludes revenues from customised software development (services revenue).
- Operating revenue is a non-GAAP measure excluding income from grants and finance income, while total income includes grants.
- 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

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