



Market Release

20 November 2015

Serko FY16 Interim Results Announcement Unaudited Results for the 6 months ending 30 September 2015

Serko Limited (NZX:SKO) is pleased to announce its unaudited interim results for the six months to 30 September 2015. Highlights from the six-month period include:

- Recurring usage revenue growth of 62%¹
- Total Income increased by 34%¹
- Online transactions increase by 69%¹
- R&D investment increase by 21%¹
- Completed acquisition and integration of Arnold Travel Technology business.

Financial Results

Serko's interim results for the first six months of FY16 mark the completion of the eighteen-month period covered by the prospective financial information (PFI) contained in the IPO Prospectus², and reflect the acquisition of the Arnold Travel Technology business from Expedia on 1 May 2015.

In the first six months of FY16 total income amounted to \$7.1m (\$6.4m excluding grant income), which was within the guidance given at the 2015 Annual Meeting and represented a 34% increase from the same period in FY15. Recurring usage revenues increased 62% to \$5.9m on the back of a 69% increase in online booking transactions. Recurring usage revenues represented over 90% of total revenue compared to around 80% in the same period in FY15. Excluding Arnold, recurring usage revenues increased by 43% and online booking transactions by 41%.

The investment in R&D amounted to \$3.3m in the six-month period, a 21% increase from the same period in FY15. Operating costs in total increased by 25% to \$10.2m and the net loss before tax was \$3.3m.

As previously signalled, the results were below the PFI detailed in the IPO Prospectus. This was attributable to the later launch of new products and services and the shortfall in expected customised software development revenues. The company has nonetheless managed cash reserves to a closing cash balance of \$2.5m, which is in line with PFI and is after the costs of the Arnold acquisition, which was not included in the PFI.

Serko's Chief Executive Officer, Darrin Grafton said: "We have made good progress in establishing the necessary building blocks for future growth in the second half. This includes establishing new supply-side content relationships, the acquisition and integration of the Arnold Travel Technology business from Expedia, and the delivery of new technology."

¹ Comparing the six months ended 30 September 2015 to the six months ended 30 September 2014

² Registered on 26 May 2014

Delivery of Strategic Objectives

Growing the customer base

Serko successfully grew transaction volumes in the half-year through a combination of organic growth and the acquisition of Arnold. This acquisition accelerated the on-boarding of anticipated customer wins. The company estimates that about US\$5bn of corporate travel will be transacted across its platforms this financial year, which is a US\$2bn increase from the prevailing annualised rate at the time of the IPO. The Serko Incharge expense management solution is now successfully on-boarding a pipeline of contracted new business, with the growth-rate having doubled to 29% from the same period in FY15.

As previously highlighted, the demand for customised software development has reduced significantly compared to prior years and the company does not see this trend changing in the short-to-medium term. However, this has enabled the associated development teams to be redirected onto strategic initiatives that will build long-term value.

It was also pleasing to sign a Reseller Agreement with BCD Travel during the half-year, the last of the major global travel management companies without a Serko relationship.

Increasing revenue per transaction

The establishment of direct content supply relationships with leading brands such as Expedia, Booking.com and Air New Zealand Taxis is strategically important for the business. The ability to earn commission revenue, in addition to transactional revenue, allows the business to be more competitive and offer greater value to our customers. In addition this has led to the identification of new and important market opportunities that were previously unable to be addressed. The company expects to make further announcements relating to both new products and delivery channels in the second half.

Innovation

Serko has continued to invest in product development and expects to bring additional functionality to its customers in the second half of the 2016 financial year (FY16). These products are important steps in the mission to transform the way corporate travel is offered and supported within the industry. We aim to significantly improve and enhance the corporate travel experience from the initial booking right through to post-travel expense reconciliation.

The integration of Serko's online booking suite with its expense management product is now being delivered through the Serko mobile solution. Serko Mobile gives users the ability to make, change and manage complex travel itineraries, automatically capture and reconcile expenses, and comply with the strict policy requirements of our corporate customers, all from the palm of their hand. Serko's product is the leader in its class and the company intends to continue to invest to maintain its competitive advantage.

A number of our resellers have licensed and are preparing to launch their own white label versions of Serko's mobile technology in order to maintain their brand connection with their customers who use Serko. The Serko branded Mobile application is also available for all Serko customers to download via the Apple and Google App Stores.

Awards

Serko was delighted to again be a finalist in the 2015 NZ Hi-Tech Awards, and was recognised at number three in the Ten Hot Emerging Companies by the Technology Investment Network (TIN).

Outlook

In the second half, the key focus will be on continuing to grow online bookings; developing a small to medium-sized business solution; and monetising the new products launched during the first half of FY16. Serko is working closely with its resellers to assist with the roll-out of our new products across their channels, although it is difficult to accurately forecast how long this process will take.

The reduced demand for non-recurring customised software development and the longer lead times for the commercialisation of new products now lead the company to anticipate that full-year revenues will be 15% below the guidance of \$16m provided at the 2015 Annual Meeting. However, recurring usage revenues remain on track to deliver over 50% year-on-year growth in FY16. Serko is considering options to raise some additional capital to support the company's growth aspirations and the roll-out of additional product initiatives.

The company now expects to reach its goal of breakeven at the end of FY17.

Serko remains confident that the future value potential of its product offering is significant and is encouraged by the level of attention and support Serko's technology is receiving from global travel management companies and other industry participants.

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About Serko

Serko is Australasia's leading online travel booking and expense management company for businesses and is listed on the New Zealand Stock Exchange Main Board (SKO.NZ). With its HQ in Auckland New Zealand, and with offices in Sydney Australia, Xi'an City China and Gurgaon, India, Serko employs more than 130 people worldwide.

Serko Online is an integrated Online Booking Tool used by administrators and travellers to book flights, accommodation and car hire from the broadest possible set of travel providers. The OBT ensures that travel bookings comply with corporate travel management policy without limiting the users choice of travel provider.

Visit www.serko.com for more information. Serko's interim results are available for downloading from Serko's website at <http://www.serko.com/investor-centre/>.