



serko

Serko Limited

FY19 Interim Results – for the period ended 30 September 2018

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- 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
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- Interim results are unaudited.



CEO WELCOME

AGENDA



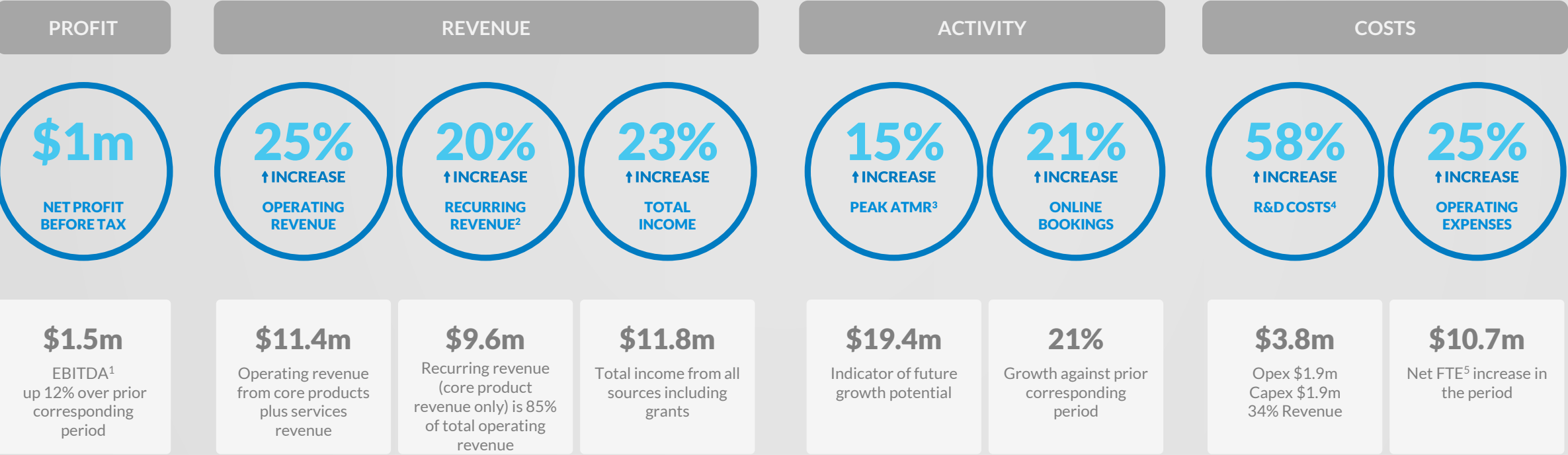
- CEO Introductions
- Financial Highlights
- Strategic Update
- Outlook Statement

FINANCIAL HIGHLIGHTS

KEY MEASURES

PERFORMANCE DASHBOARD

FY19 (H1) VS FY18 (H1)

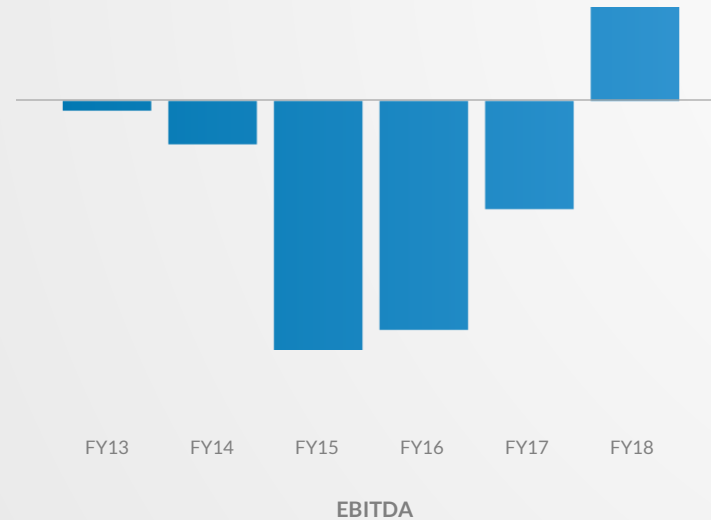


Notes 1 – 5: Refer to Appendix for Definitions
Annualised Transactional Monthly Revenue (ATMR) of 19.4m is as at August 2018 and represents peak for the period. % increase calculated against August 2017 of 16.9m

Revenue and cost growth balanced at 25%

EBITDA at \$1.5m up 12% over prior period

Historic EBITDA by Financial Year



Net Profit Summary EBITDA Reconciliation	H1 FY19 6 months \$000	H1 FY18 6 months \$000	change		FY2018 12 months \$000
			\$000	%	
Operating Revenue	11,350	9,070	2,280	25%	18,279
Other income (including Grants)	465	499	(34)	-7%	994
Total income	11,815	9,569	2,246	23%	19,273
Operating expenses <i>Percentage of operating revenue</i>	(10,686) -94%	(8,530) -94%	(2,156)	25%	(17,684) -97%
Net finance income (losses)	(177)	127	(304)	-239%	414
Net profit before tax <i>Percentage of operating revenue</i>	952 8%	1,166 13%	(214)	-18%	2,003 11%
Income tax expense	(32)	(69)	37	-54%	(171)
Net profit	920	1,097	(177)	-16%	1,832
Add back: income tax expense	32	69	(37)	-54%	171
Add back (Deduct): net finance (income)/expenses	177	(127)	304	-239%	(414)
Add back: depreciation and amortisation	361	286	75	26%	597
EBITDA <i>EBITDA margin</i>	1,490 13%	1,325 15%	165	12%	2,186 12%

Revenue Analysis



	H1 FY19 6 months \$000	H1 FY18 6 months \$000	change \$000	change %	FY2018 12 months \$000
Revenue by Type					
Travel platform revenue	7,721	6,552	1,169	18%	13,283
Expense platform revenue	884	673	211	31%	1,539
Content commissions	834	670	164	24%	1,288
Other revenue	189	149	40	27%	334
Recurring revenue	9,628	8,044	1,584	20%	16,444
Recurring revenue %	85%	89%			90%
Services revenue	1,722	1,026	696	68%	1,835
Total operating revenue	11,350	9,070	2,280	25%	18,279
Government grants	461	498	(37)	-7%	956
Sundry income	4	1	3	-	38
Total other income	465	499	(34)	-7%	994
Total revenue and other income	11,815	9,569	2,246	23%	19,273
Revenue by Geography					
Australia	9,822	8,517	1,305	15%	16,599
New Zealand	998	350	648	185%	1,038
USA	392	107	285	266%	457
India	24	27	(3)	-11%	57
Singapore	36	24	12	50%	42
Other	78	45	33	73%	86
Total operating revenue	11,350	9,070	2,280	25%	18,279

Product Investment

- Total R&D Costs up 58%
- Represents 34% revenue
- 50% Capitalised relating to future year benefits
- Net product development in P&L at \$1.7m represents 15% of revenue

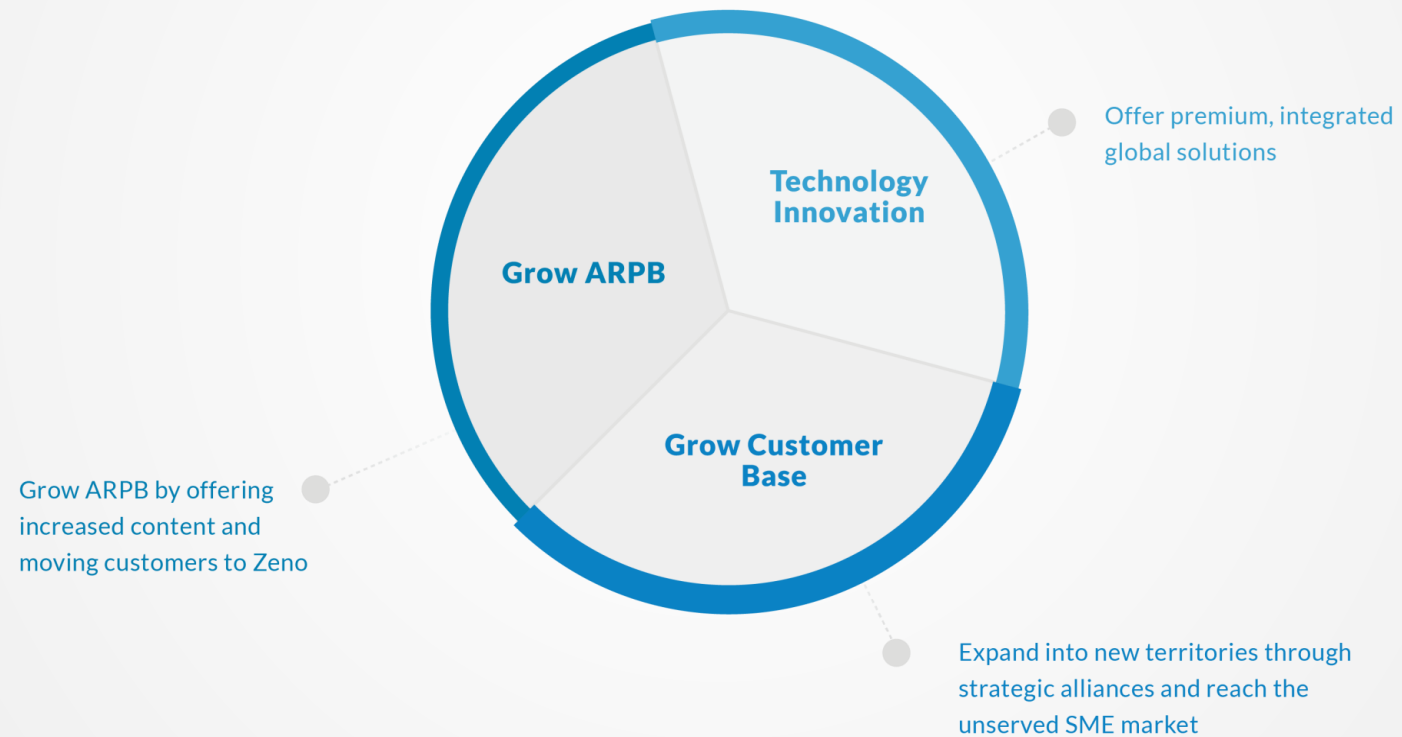
R&D Costs – Expensed	H1 FY19 6 months \$000	H1 FY18 6 months \$000	change \$000	change %	FY2018 12 months \$000
Total R&D costs (including amounts capitalised)	3,843	2,425	1,418	58%	4,906
Percentage of operating revenue	34%	27%			27%
Less: capitalised product development costs	(1,903)	(191)	(1,712)	-896%	(383)
Percentage of R&D costs	50%	8%			8%
Research costs (excluding amortisation of amounts previously capitalised)	1,940	2,234	(294)	-13%	4,523
Less: Government grants	(461)	(498)	37	-7%	(956)
Add: Amortisation of capitalised development costs	240	200	40	20%	412
Net product development costs	1,719	1,936	(217)	-11%	3,979
Percentage of operating revenue	15%	21%			22%

FINANCE

OTHER HIGHLIGHTS

- One off ASX Listing costs were \$0.3 million.
- Net funds raised in August 2018 of \$14.3 million.
- Closing cash balances were \$19 million.
- Net cash movement for the 6 month period, excluding funds raised, was \$0.5 million decrease.
- Headcount has increased from 106 as 31 March 2018 to 160 as of end of October 2018.

STRATEGIC UPDATE



ZENO EXPANDS CUSTOMER BASE IN HOME MARKETS

- Agreements have been entered into with approximately two thirds of our Australasian TMCs that enable them to offer Zeno to their corporate customers - as measured by transactional volume.
- Tandem Travel, signed in the prior period, fully onboarded during the period.
- Serko now has over 350 corporates who have transacted through Zeno, including large corporates who transact more than 1,000 bookings per month.
- Serko announced Orbit World Travel (House of Travel) as a new TMC reseller on 4th July 2018 and this client will commence live bookings this month on Zeno.
- Flight Centre launched Savi in September 2018 which is powered by the Zeno technology. Four year contract extension that includes commitment of ongoing development spend and ongoing price increase across all transactions

ZENO EXPANDS CUSTOMER BASE IN NEW TERRITORIES

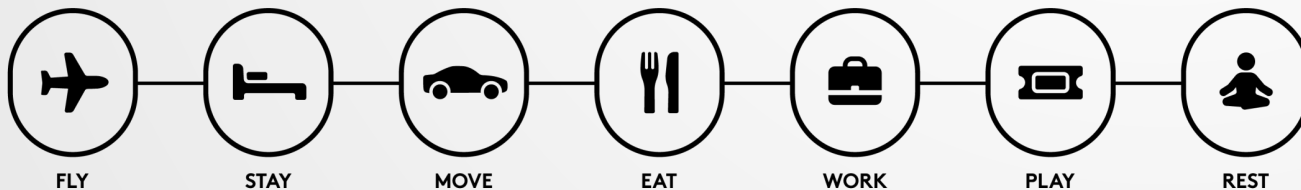
- ATPI UK is now operational with first transactions occurring in July 2018 following deployment of the platform for customer testing. ATPI intend to launch its Zeno related marketing activities in the second half following this successful trial.
- ATPI plan to continue their rollout to further countries within Europe with Norway and the Netherlands as their next priority.
- North America expansion continues following the signing of Custom Travel Solutions and Voyages Travel Encore, both headquartered in Canada. We are working to complete content integration, language features and system optimisation.
- We announced in August 2018, Flight Centre's intention to extend its Serko offering to include Canada, United States and Mexico.
- Serko is in commercial discussions with other significant TMCs for further rollout in North America.

TECHNOLOGY INNOVATION

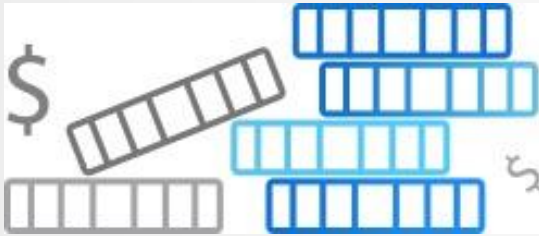
Zeno is a single application to manage travel across every phase of the journey

THE CONNECTED TRAVELLER

- Investing in and future proofing our Zeno platform
- In May 2018, Serko announced that through a strategic partnership with Qantas, Serko has achieved level 3 NDC certification and connects directly with the Qantas QDP platform.
- Integrations complete for UK rail and Air Canada
- BTN Group Innovate Conference - People's choice award winner for Business Travel Innovator for 2018
- New Zealand Trade and Enterprise's New Zealand Business Awards – Excellence in innovation



ARPB GROWTH



- Content commissions (24% growth) have increased at a rate higher than transactional growth (21%).
- Attachment rates have increased to over 6% over the period, up from 5.4% at the same time a year ago.
- Content additions have continued with integration channels for RoomIT Hotels, Hinterland, Air Chathams and Sounds Air.
- Uber receipt integration into Expense is in beta testing.
- Content sources beyond hotels are still at infancy stage and this is expected to be a growth area in the future.

OUTLOOK STATEMENT



- Serko maintains revenue growth guidance of 20-30% for the year ended 31 March 2019. Currency fluctuations and the timing of customer onboarding will be key factors determining the final result as usual.
- Full work programme underway to integrate content, develop additional functionality for Northern Hemisphere, and increase infrastructure to support global growth.
- EBITDA is expected to be largely in line with prior year \$2.2 million with continued capitalisation of internal development costs.
- As stated in capital raise, we are carefully utilising capital to accelerate growth opportunities and we are also investigating potential acquisition opportunities to achieve long term goals.



QUESTIONS

APPENDIX

COMPANY SNAPSHOT

ABOUT SERKO

- Serko provides innovative cloud based corporate travel and expense technology solutions.
- Founded in 2007 by Darrin Grafton and Robert Shaw, Serko listed on the New Zealand stock exchange in June 2014, and more recently in June 2018, has listed as a foreign exempt listing on the Australian Securities Exchange. Serko remains founder led. Serko trades under the ticker 'SKO'.
- Serko is a leading supplier of technology solutions for Travel Management Companies (TMCs) in Australasia and is now expanding into Northern Hemisphere markets with signed global supply arrangements.
- The majority of Serko's revenue comes from TMCs who provide our solution to their corporate customers.
- Serko is head quartered in New Zealand and employs more than 160 people worldwide including offices in Australia, United States and China and India.

For further information refer to Serko's website www.serko.com and its 2018 Annual Report which can be found under Investor Centre.

OUR PRODUCT SUITE

The Zeno logo is displayed in a light blue, lowercase, sans-serif font within a light gray circle. The letter 'o' at the end of 'zeno' has a small horizontal line through its center.

Zeno is Serko's next generation travel management application, using intelligent technology, predictive workflows and a global travel marketplace

The Serko Online logo is displayed in a light blue, lowercase, sans-serif font within a light gray circle. The word 'serko' is in a larger font size than 'online'.

Serko Online is an online booking tool for corporates to book and manage airlines, hotels, rental cars and airport transfers

The Serko Expense logo is displayed in a light blue, lowercase, sans-serif font within a light gray circle. The word 'serko' is in a larger font size than 'expense'.

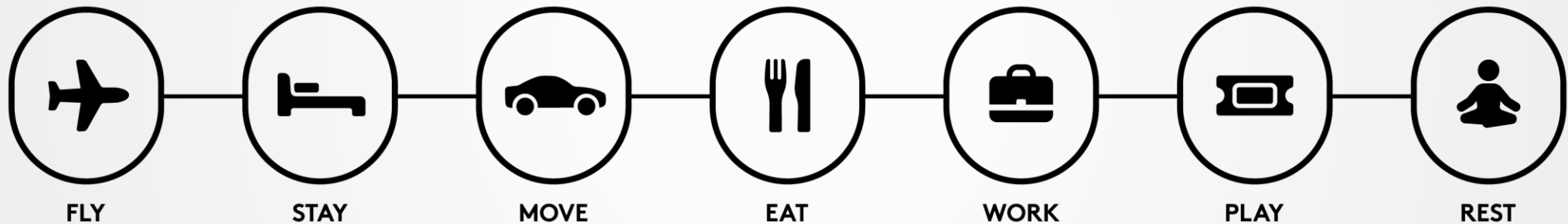
Serko Expense is an online expense management solution that enables the capture and processing of corporate card and out of pocket claims

The Serko Mobile logo is displayed in a light blue, lowercase, sans-serif font within a light gray circle. The word 'serko' is in a larger font size than 'mobile'.

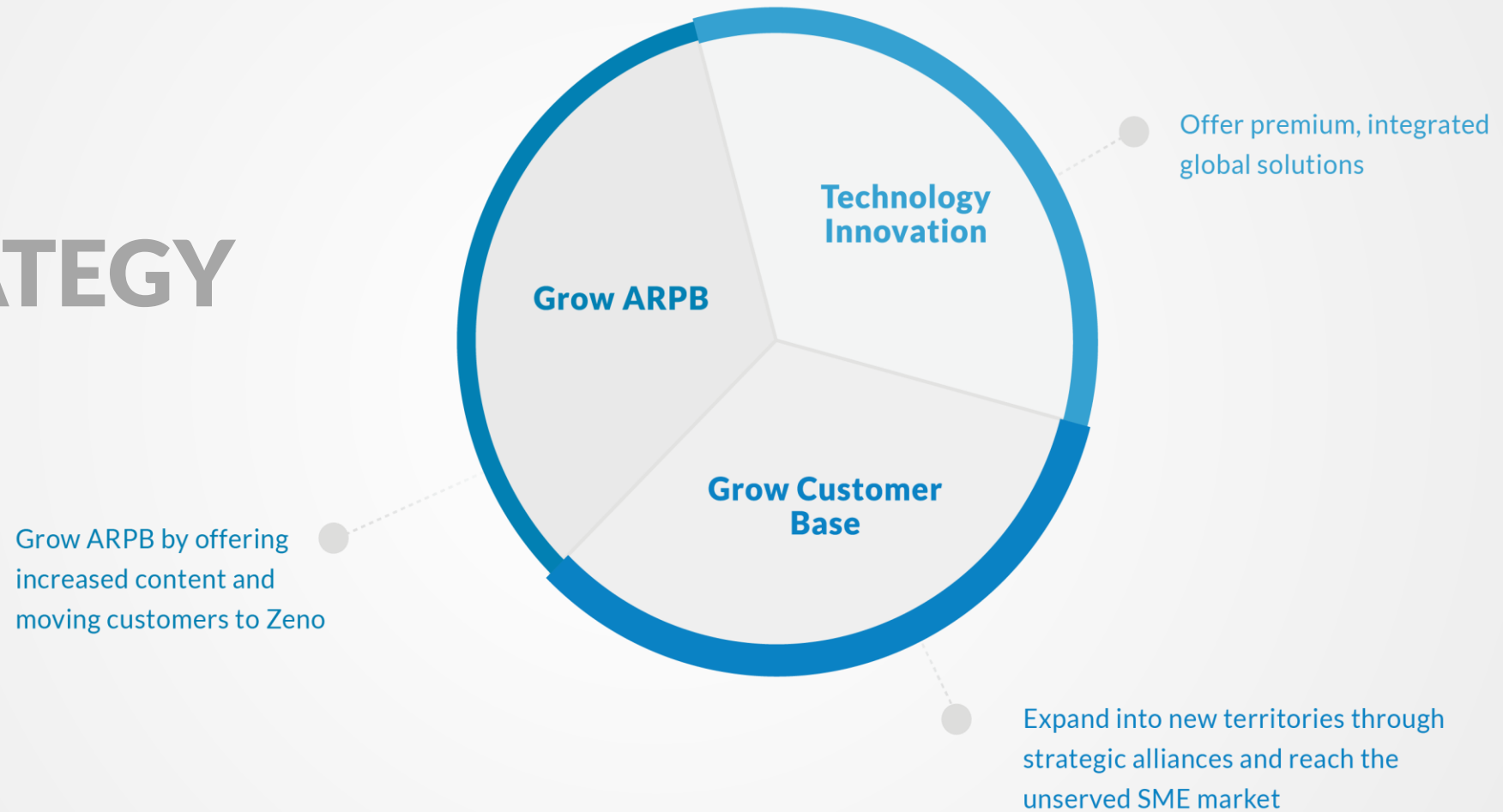
Serko Mobile is a purpose-built mobile app for making flight and hotel bookings and managing travel expenses

THE CONNECTED TRAVELLER

Zeno is a single application to manage travel across every phase of the journey



OUR STRATEGY



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

COMMERCIAL MODEL

Period ended 30 September **2018**
\$000

Travel platform booking revenue	7,721
Expense platform revenue	884
Supplier commissions revenue	834
Other revenue	189
Recurring product revenue	9,628
Percentage of total revenue	85%
Services revenue	1,722
Total Operating revenue	\$11,350

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 also earns other miscellaneous revenue such as mobile licenses

Additional Services



Services Revenue

Paid customisation, market place integration or implementation assistance

HISTORIC MEASURES

Selected Operational Metrics	FY13	FY14	FY15	FY16	FY17	FY18
Total revenue growth (%)	27%	39%	55%	27%	9%	28%
Revenue growth – Travel Platforms (%)	41%	12%	62%	49%	8%	23%
No of transactions (indexed, where FY13=100)	100	123	179	275	326	390
Transaction growth (%)	35%	23%	45%	54%	18%	20%
Recurring product revenue as % total revenue	84%	71%	80%	93%	91%	90%
Operating costs (excl depreciation & amortisation) (% change)	35%	62%	105%	13%	(10%)	(5%)
Employees (number at end of year)	47	87	133	127	108	106
Average revenue per FTE (NZ\$000)	119	100	94	101	122	170
Research & development costs - expense and capex (NZ\$000)	2,340	3,387	5,762	6,268	5,836	4,906
Annualised transactional monthly revenue (ATMR) (NZ\$m)	*	*	*	11.2	15.3	18.4

* indicates not previous measured or reported.

DEFINITIONS

1. EBITDA is a non-GAAP measure representing Earnings Before the deduction of costs relating to Interest, Taxation, Depreciation and Amortisation.
2. 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).
3. 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 year to date ARPB and multiplied by 260 days. The expense platform revenue is based on the monthly revenue from active users multiplied by 12 months.
4. R&D (Research & Development) costs is a non-GAAP measure representing the internal and external costs related to R&D both expensed and capitalised.
5. FTE = Full time equivalent employee.
6. 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.
7. Operating Costs is a non-GAAP measure which excludes costs relating to taxation, interest, depreciation, and amortisation charges.