

serko

Serko Limited

\$15m Equity Raising, 7 August 2018

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AGENDA

- Company snapshot
- Equity raising overview
- Appendix: FY18 result

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 120 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.

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

The Serko Online logo features the word "serko" in bold blue lowercase letters and "online" in gray lowercase letters, both within a light gray circle.

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

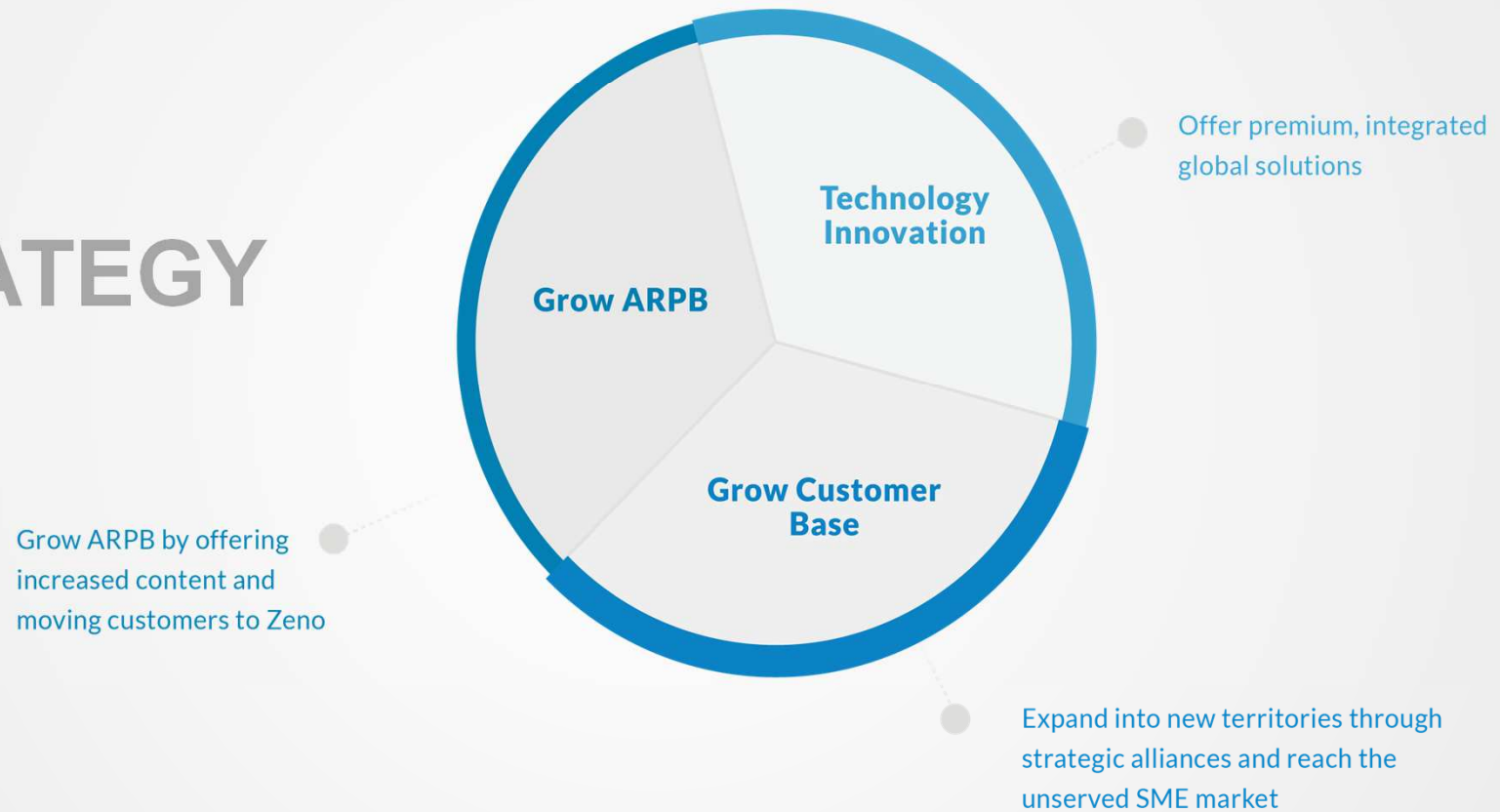
The Serko Expense logo features the word "serko" in bold blue lowercase letters and "expense" in gray lowercase letters, both within a light gray circle.

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 features the word "serko" in bold blue lowercase letters and "mobile" in gray lowercase letters, both within a light gray circle.

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

OUR STRATEGY



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

STRATEGIC UPDATE

- Agreements have been entered into that enable ~65% of current transactional volume (based on 30 June 2018 quarter transactions) to switch from Serko Online to Zeno.
- Serko announced Orbit World Travel (House of Travel) as a new TMC reseller on 4th July 2018.
- ATPi UK is now operational with first transactions occurring in July 2018. ATPi plan to continue to their rollout to further countries within Europe as their next priority.
- North America expansion continues with the signing of Custom Travel Solutions and Voyages Travel Encore, both head quartered in Canada. We have also recently announced Flight Centre's intention to extend its Serko offering to include Canada, United States and Mexico.
- In May 2018, Serko announced that through a strategic partnership with Qantas, Serko has achieved level 3 NDC certification.

STRONG TRACK RECORD OF GROWTH

Selected Operational Metrics	FY13	FY14	FY15	FY16	FY17	FY18
Total revenue growth (%)	27%	39%	55%	27%	9%	28%
Revenue growth – Serko Online (%)	41%	12%	62%	49%	8%	23%
Operating costs (excl depreciation & amortisation) (% change)	35%	62%	105%	13%	(10%)	(5%)
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%
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.

OUTLOOK FOR FY19



Growth in Operating Revenue expected to be in 20% - 30% range



May ATMR was \$18.8m

ATMR: Annualised Transactional Monthly Revenue is a non-GAAP measure. Refer to definitions as per slide 20. May 2018 being the most recent non-seasonal month for which data was available at the time of writing this presentation.

EQUITY RAISING OVERVIEW

OVERVIEW

- Serko is undertaking an underwritten NZ\$15m equity raise via a Placement¹.
- Approximately 5.5 million shares to be issued (approximately 7.3% of current issued capital) ("New Shares").
- New Shares will rank equally in all respects with SKO's existing ordinary shares from allotment.
- The Placement has been underwritten at NZ\$2.75 per share, equating to a:
 - 3.2% discount to last traded price of NZ\$2.84 on Monday, 6 August 2018; and
 - 5.6% discount to 30-day VWAP of NZ\$2.91 up to Monday, 6 August 2018.
- Deutsche Craigs² is acting as the underwriter.

Note 1: The equity raising will be an offer of financial products that are the same class as SKO's ordinary shares. SKO will make the offer to investors in reliance on the exclusion in clause 19 of schedule 1 to the Financial Markets Conduct Act 2013

Note 2: Deutsche Craigs is a wholly owned subsidiary of Craigs Investment Partners. The role of the underwriter may be performed by Deutsche Craigs or Craigs Investment Partners (as the NZX Participant firm) and those entities shall have the rights and benefits of the underwriter

USE OF PROCEEDS

The equity raising is expected to provide Serko with funds to bolster its working capital position and strengthen its balance sheet, giving greater flexibility to both accelerate organic growth opportunities and execute potential acquisitions including:

- Undertaking investments to drive revenue growth such as establishing sales and support functions in new international markets;
- Accelerating product development and integration of local content and functionality in international markets which are required in order to appeal to a wider range of travel management companies (TMCs) and corporate users; and
- Providing funding capacity for potential acquisitions that deliver additional customers, development capability and in-market infrastructure, facilitating and enhancing the pace of Serko's expansion into new geographies.

Additionally, the equity raising is expected to deliver a range of ancillary benefits such as increasing Serko's free float, providing greater liquidity for investors and broadening the share register investor base by introducing new shareholders.

TIMETABLE

Key Dates

Equity raising announcement	Tuesday, 7 August
Conduct underwritten placement	Tuesday, 7 August
Trading halt on NZX and ASX	Tuesday, 7 August
Announce completion and resume trading	Wednesday, 8 August
Settlement on the ASX	Thursday, 9 August
Settlement on the NZX	Friday, 10 August
Allotment and trading of shares on NZX and ASX	Friday, 10 August

APPENDIX: FY18 RESULTS

STRONG IMPROVEMENT IN ALL KEY MEASURES

PERFORMANCE DASHBOARD

(FY18 VS FY17)

PROFIT



Turnaround in NPBT for the year compared to prior year loss of \$3.3m

REVENUE



Recurring revenue 90% of total operating revenue



Core product revenues



Total income from all sources including Grants

ACTIVITY

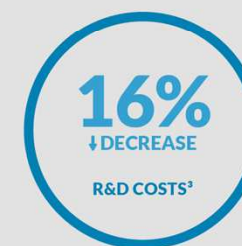


Indicator of future growth potential



Year on Year growth for FY18

COSTS



Opex \$4.5m
Capex \$0.4m
27% of Revenue

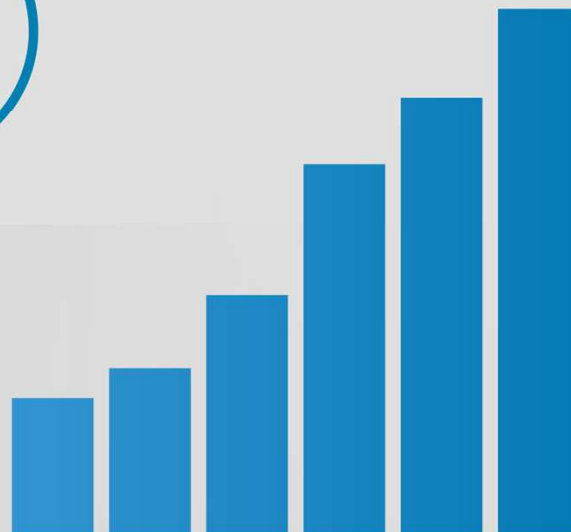


Net FTE⁵ decrease in the period

Notes 1 – 5: Refer to Appendix for Definitions

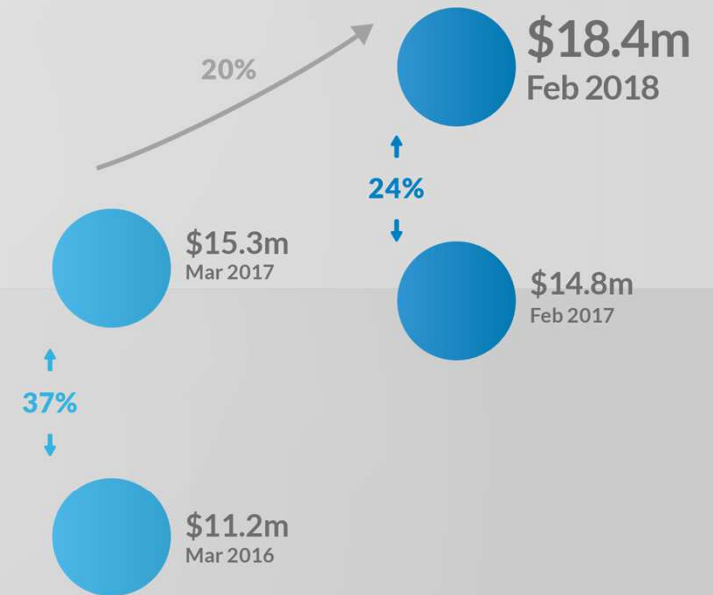
Annualised Transactional Monthly Revenue (ATMR) of \$18.4m is as at Feb 2018 and represents peak for the period whereas March 2018 is seasonally affected by Easter holidays. % increase calculated against Feb 2017 of \$14.8m

ATMR RISES INLINE WITH STRONG TRANSACTION GROWTH



FY13 FY14 FY15 FY16 FY17 FY18

ONLINE BOOKING (volumes)



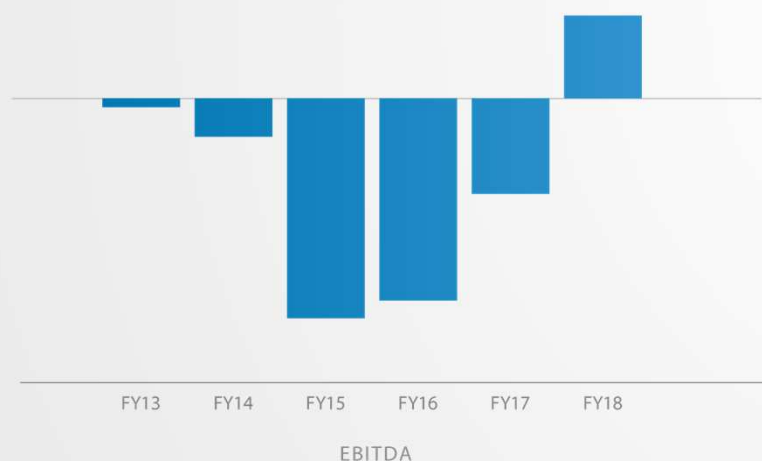
ATMR

ECONOMIES OF SCALE



Year ended 31 March	2018	2017	change	
	\$000	\$000	\$000	%
Remuneration and benefit expenses	11,667	12,285	(618)	-5%
Selling and marketing expenses	1,258	1,658	(400)	-24%
Administration expenses	3,692	3,880	(188)	-5%
Other expenses	1,067	940	127	13%
Total operating expenses	17,684	18,763	(1,118)	-6%
Percentage of operating revenue	97%	131%		-34%
Total Research and Development (R&D) cost (including amounts capitalised)	4,906	5,836	(930)	-16%
Percentage of operating revenue	27%	41%		
(-) Capitalised product development costs	(383)	(780)	397	51%
Percentage R&D Costs	8%	13%		
Research costs (excluding amortisation of amounts previously capitalised)	4,523	5,056	(533)	-11%
(-) Government grants	(956)	(1,073)	117	11%
(+) Amortisation of capitalised development costs	412	450	(38)	-8%
Net product development costs	3,979	4,433	(454)	-10%
Percentage of operating revenue	22%	31%		

MAIDEN PROFIT



Year ended 31 March

	2018	2017	change	
	\$000	\$000	\$000	%
Revenue	18,279	14,277	4,002	28%
Other income	994	1,092	(98)	-9%
Total income	19,273	15,369	3,904	25%
Operating expenses	(17,684)	(18,763)	1,079	6%
Percentage of operating revenue	-97%	-131%		
Net finance income	414	88	326	370%
Net profit (loss) before tax	2,003	(3,306)	5,309	161%
Percentage of operating revenue	11%	-23%		
Income tax expense	(171)	(144)	(27)	-19%
Net profit (loss)	1,832	(3,450)	5,282	153%
Add back: income tax expense	171	144	27	19%
Deduct: net finance income	(414)	(88)	(326)	-370%
Add back: depreciation and amortisation	597	858	(261)	-30%
EBITDA profit/(loss)	2,186	(2,536)	4,722	186%
EBITDA margin	12%	-18%		

DEFINITIONS

- 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.
- 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.
- 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.
- EBITDA is a non-GAAP measure representing Earnings Before the deduction of costs relating to Interest, Taxation, Depreciation and Amortisation.
- FTE = Full time equivalent employee .