



Market Release

22 August 2018

Serko Limited – 2018 Annual Meeting Addresses & Presentations

The attached addresses and presentation will be given today at Serko's Annual Meeting which is to commence at 2.00pm and is being held at Link Market Services, Level 11, Deloitte Centre, 80 Queen Street, Auckland, New Zealand.

1. 2018 Serko Limited – Chair and CEO's Address
2. 2018 Serko Limited – Presentation

The meeting is also being webcast at: <http://www.ustream.tv/channel/jGdxWLD2DGS>

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Serko Limited - 2018 Annual Shareholder Meeting

Chairman's Address

Strategic Goals Slide: Delivery against our strategy for FY18

Serko is transforming the way businesses manage travel and expenses by pursuing a three-pronged strategy of:

- Being a technology leader – we have a clear vision of what the future of corporate travel looks like. Our tech delivers tangible benefits such as compliance with corporate travel policy, pre-approvals, the sourcing of content from many providers to provide choice and value as well as our integrated expense management offering and associated reporting. We aspire to be the world leader in this space with Zeno, our new premium product.
- Growing our customer base - by expanding into new territories through strategic alliances as well as reaching the under-served small and medium sized enterprise (SME) market; and
- Increasing average revenue per booking (ARPB) - by offering a broader range of content throughout the entire customer journey including transfers and other modes of transport such as rail. We are also progressing the transition of our customers onto Zeno, our premium offering packed with additional features which will include predictive booking and voice recognition booking via our chatbot.

We have made good progress on all three fronts. More importantly, our success has contributed to significant improvements in financial performance in the 2018 financial year.

Technology Innovation:

At last year's Annual Meeting we demonstrated Zeno and I'm pleased to report that Zeno has now been successfully deployed into general release. We now have over

two hundred of our corporate and government entities booking and managing travel via Zeno; and we commenced globalising this technology for launch into new markets.

White-labelled self-service travel booking portals (serko.travel) launched by our Travel Management Company (TMC) partners, included Corporate Traveller and Helloworld Business Travel.

Growing the Customer Base:

We have succeeded in signing up TMC's in international markets to roll out Zeno to their customers. In February 2018 we announced that ATPI signed an agreement to resell Zeno in more than 50 countries.

A new customer to Serko in FY18, Tandem Travel, Air New Zealand's TMC, also began migrating customers to Zeno. Darrin will speak to other contracts signed post year-end.

Growing Average Revenue per Booking:

Key to achieving a higher ARPB is the transition of customers to Zeno, which achieves a higher pricing schedule than Serko Online, as well as creating an uplift in attachment rates from the availability of our 'market place' content. When elements of this range of content are booked via Zeno, this results in Serko receiving commission in addition to the traditional booking fee.

In 2018, Serko achieved a 72% increase in supplier commissions. We continued to increase our content sources during the year and added HRS Hotels, GTA Hotels and Hotel Hub.

All three key elements of strategy contributed to Serko's financial performance for the year ended March 2018 and this is demonstrated in the next slide.

Performance Dashboard Slide

Our performance dashboard shows the key metrics we monitor for the 2018 financial year. We recorded a maiden profit of \$2.0 million Net Profit Before Tax which was

higher than our initial target of breaking-even for the financial year. This represents a turnaround of \$5.3 million from the prior year loss of \$3.3 million.

Operating Revenue increased 28% to \$18.3 million. Recurring revenue of \$16.4 million represented an increase of 27% over the prior year and, in aggregate, represented 90% of operating revenue. Of this increase, Travel platform revenue grew by 23%, Expense platform revenue grew by 37% and, as mentioned earlier, supplier commission revenue grew by 72%. Services revenue, while not recurring revenue, grew 35%.

Total income, including grants, was \$19.3 million for the year.

Peak Annualised Transactional Monthly Revenue (ATMR), a representative indicator of future recurring revenue, grew 24% to \$18.4 million and was up 20% over the end of year ATMR reported last year of \$15.3 million.

Online bookings were up 20% year-on-year.

Economies of scale were achieved with operating costs down 6%, primarily as a result of holding staff costs to the same level as at the end of the prior year.

R&D Costs were 16% lower with a minimal share of the costs capitalised at \$0.4 million of the total \$4.9 million spend.

A more detailed analysis of the financial performance is included in the Annual Report.

This strong performance was recognised by the market with the share price of Serko rising from a low of 29 cents on 31 March 2017 to \$2.45 a year later. An increase of 745% over the financial year.

Since announcing our 2018 financial year results, and more recent announcements, our share price has continued to climb and has hit a high of \$3.08 in May 2018. We know this has been a bumpy ride for our shareholders, however we are now trading at a healthy multiple of our IPO price of \$1.10 in June 2014. Such is the level of interest in and support for Serko that our recent capital raise was heavily over-subscribed.

Outlook FY19 Slide

In terms of current trading trends, after announcing new Zeno contract signings, we recently updated previous guidance from revenue growth of an increase of 15-30% year-on-year to a revised range of 20-30%. We continue to expect that we will achieve EBITDA in-line with the prior year.

We continue to experience solid transactional travel booking growth, as well as expense platform revenue growth. Peak ATMR, for the first quarter of the 2019 financial year was \$18.8 million.

Cash balances at the end of July, before the recent capital raise, were \$4.7 million against \$5.2 million at 31 March 2018. The decline largely represents the ASX listing fees and incentive payments relating to the 2018 financial year with other operating cashflows largely break-even on a year-to-date basis for the 2019 financial year.

Governance Updates Slide

ESG Reporting:

During the last financial year, Serko assessed its ESG (environmental, social and governance) reporting requirements in line with the NZX Governance Code recommendations. To that end we produced our first ESG report, and that can be found on Serko's website. That report includes Serko goals on environmental, social and governance objectives for the Company, and follows the UN Sustainable Development Goals. Serko is committed to both long-term value creation and making positive improvements in social, economic and environmental outcomes, and we will continue to evolve our ESG strategy.

We have made a concerted effort to better communicate with our stakeholders over the past year – including simplified and clearer reporting of our key strategic measures, providing more detailed analysis of our financial results in the Annual Report, as well as providing the ESG report. This effort was recognised when Serko was nominated as a finalist in the NZX Emerging Leaders Best Investor Relations category at the 2018 INFINZ Awards.

We broadened our investor communication programme to include investor roadshow presentations outside of New Zealand, and this year we completed visits to Melbourne and Sydney on the release of our full-year results in May 2018.

ASX Listing and Subsequent Capital Raise:

In June 2018, Serko dual-listed on the ASX as a Foreign Exempt Listing. This generated significant additional institutional demand for Serko shares out of Australia and we recently completed a capital raise of \$15 million which, as I mentioned, was heavily oversubscribed. The proceeds have bolstered our working capital position and strengthened our balance sheet considerably, giving Serko greater flexibility to both accelerate organic growth opportunities and execute potential acquisitions. These include:

- 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 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 capital raising served to increase Serko's free float; provide greater liquidity for investors; and broaden the investor-base by introducing new shareholders. We were very pleased that the issue attracted many new institutional shareholders (primarily from Australia); that the issue was completed at a very tight discount to the prevailing trading price; and that the buying interest followed through in the after-market with a number of buyers in the placement increasing their holdings on-market.

Retail shareholders were invited to register their interest with their broker and 20% of the placement was allocated to retail. Some shareholders would have preferred a rights issue so that the offer was open to all shareholders. The Board acknowledges that rights issues can be preferable in some situations (and may well be for Serko in the future), and the Board certainly considered all the options but chose a placement as:

- Widening the base of investors was a very important objective of the capital raising. Greater institutional interest in Serko creates better liquidity, better pricing and potentially better broker research coverage. These are benefits to all investors, particularly retail. A rights issue could not achieve these objectives to anywhere near the same extent
- A wider shareholder-base also makes it easier to raise money in the future should continued growth require that. The reality is that at some point we were going to need to widen our shareholder base. We have managed to achieve this now and with almost no value dilution (3.2%). A very good outcome.
- Based on history, there was a material risk of a low level of uptake by retail investors in a rights issue. Given the thinness of any market for the rights and the small parcels that would have existed, non-participating investors (mainly retail) would likely have been significantly worse-off as the discount would have been significantly greater. We were very aware of this risk and of the very low levels of interest in the retail Share Purchase Plan undertaken by Serko when we raised capital at 82 cents a couple of years ago.
- It would have been difficult to generate genuine demand from Australian institutions if we had gone down the rights issue route as there's no guarantee they would have been able to access stock. A rights issue might have resulted in the perpetuation of a narrow set of investors on the Serko register with little or no follow-on buying in the market.

- The tight placement discount of 3.2%, which is almost half of the average discount of capital raises in last three years and compares favourably to on average -17% discounts for placements under \$50m over that time. This provided extremely positive signalling to the market – once again supporting value. The underwriting costs for a discounted rights issue would also have been significantly higher.

We think the capital raising has created a great outcome for shareholders and, whilst we acknowledge that retail shareholders who did not participate in the issue were diluted, we feel that the resultant share register and the market trading price justifies our approach. Faced with a different situation and objectives in the future we may choose a rights issue.

The 2018 financial year has been a great year for Serko and we confidently look forward to the next year. On behalf of the Board I would like to acknowledge and thank the entire Serko Team for their hard work and dedication to deliver to our financial goals, whilst also delivering high standards of customer service and innovation over the past year. Importantly all this was achieved in an environment with a strong health and safety record.

I'll now invite Darrin Grafton, CEO, to address you. At the conclusion of Darrin's presentation, we will allow questions before we move to the formal business of the meeting where you will also get the opportunity to ask questions on the particular resolutions.

CEO's Presentation

CEO's Presentation Slide

Thanks Simon. Welcome everyone.

Firstly 2018 was a break-through year for Serko and to finish the year as New Zealand's top performing stock is a credit to an amazing team, our customers and suppliers. But most of all we want to thank you, our, shareholders for your continued support.

For me the highlight of the last year has been the realisation of our original vision of creating an integrated travel platform that caters to the variety of stakeholders in the end-to-end corporate travel and expense process without any of the stakeholders having to compromise. That vision became a reality with the launch of Zeno and our Content Marketplace. It is exciting and gratifying to see the global interest in Zeno and the opportunity this creates for Serko.

During 2018 we enhanced our team by recruiting incredibly talented and accomplished new people that will help us take this product and strategy global.

Executive Changes Slide

Since last year, Tony D'Astolfo, former Chief Commercial Officer of Deem has joined as Senior VP, North American Market and is working along-side Richard Miller, former executive from NuTravel. Murray Warner, who was a long-time employee of Concur has joined us as Head of Australasia. John Challis, our previous Australian head has become our Head of Business Development. Last year I introduced our new COO and CFO, Charlie Nowaczek and Susan Putt. Together with my fellow co-founder Bob Shaw, introduced earlier by Simon, this is our new executive team.

Collectively we are excited about our future and are aiming to repeat our success in the Australasian market in the wider Northern Hemisphere markets.

Serko Solutions Slide

Just a quick recap for new investors. Serko is a Software as a Service (SaaS) or cloud-based corporate travel and expense management solution provider.

Our purpose remains to transform the way businesses manage travel and expenses.

We provide a variety of products including Serko Online, Serko Expense and Serko Mobile. Zeno is our new connected product bringing together the functionality of Serko Online and Serko Expense along with a Marketplace for additional services used by travellers.

The Connected Traveller Slide

I believe that Zeno will revolutionise the world of online travel and expense through a connected Marketplace. Designed around the seven phases of travel – Fly, Stay, Move, Eat, Work, Play and Rest. Zeno keeps business travellers connected with their organisation's preferred suppliers from pick-up to drop-off.

With Zeno, our philosophy is “no more compromise”. This is enabled through the 4 pillars that make up our eco-system:

- By providing the booker/traveller with a rich consumer experience.
- By giving the corporation more visibility and savings across their spend and Duty of Care / governance controls via a truly connected platform.
- For the Travel Management Company, by providing an online booking tool that is customized for their value proposition and has the ability to generate new revenues as they activate more of the market place suppliers.
- And for the suppliers, by giving them what they want in an enterprise solution with the ability to show their product as they do within their own consumer sites today.

We have built a solution where no parts of the core eco-system are compromised and through this change we are building not just a product, we are now building a global connected community.

Corporate travel is not like leisure travel. Corporate travel is complex, completed under policy rules by employees who regularly need to change their travel, where disruption and change occurs for almost 30% of all bookings. By creating the connected Marketplace, we not only enable the booking of this content, but will increasingly develop technology to manage the downstream impact of delays, disruption and general changes across all parts of the journey.

When we looked at this connected traveller we realized by creating the seven core modes or states that we go through we could bring this vision to life. Fly, Stay, Move, Eat, Work, Play, Rest are modes that can also enable Serko to make money across the entire journey which is aligned to our strategy of growing our average revenue per booking.

Commercial Model Slide

We aim to grow recurring revenue whilst controlling costs such that the profit margin grows over time. Our primary revenue source is travel platform revenue for which Serko receives a booking fee for every booking completed in Serko Online or Zeno. If the traveller books a hotel or another travel-related service during that booking, then Serko can earn supplier-paid commissions in addition to the flat booking fee. If the traveller also completes an expense submission via the expense platform, we receive a monthly user fee which contributes to our expense platform revenue. If the traveller uses other ancillary services, like Mobile, then we receive a license fee, and this contributes to other revenue sources.

These revenue sources we classify as recurring revenue. While services revenue will continue to be earned by Serko, it is primarily related to one-off services.

We earn services revenue from customers and suppliers. For example, TMC's pay us to integrate with Serko, and customise their version of Zeno. Suppliers also pay us to have their content or services connected to the Serko Marketplace.

Strategic Update Slide

As Simon mentioned, our strategy has three core elements and I will use these to update on activities that have occurred since the end of the financial year or are currently in progress.

- We aim to deliver market-leading technological innovations to underpin our platform for global expansion.
 - o Serko was recognized as one of the top innovators by Skift, an industry leading travel media company, in their 2018 Corporate Travel Innovators List. We were also again nominated as a finalist for both the NZ Hi-Tech Awards, Company of the Year Award and Most Innovative Hi-Tech Service Award. Furthermore, Serko was recognized in the Air New Zealand Cargo Export NZ Awards for Excellence in Innovation this year.
 - o As announced in May 2018, a strategic partnership with Qantas enabled Serko to become the first NDC level 3 certified online booking and expense tool. NDC or New Distribution Capability is a direct connect to the airlines own system and enables a newer, more modern consumer experience across the purchasing of air travel.

The future state of these new airline connections will bring benefits around how we display air availability, make and change bookings, purchase airfares with the use of loyalty points as well as exciting user-orientated features that simplify the travel process.

We believe this tech platform, its features and simplicity make Serko a global leader. Serko continues to work on making Zeno even smarter and more intuitive through the use of artificial intelligence (AI) and our chat bot “Ask Zeno”.

- We seek to grow our customer base.
 - o We announced Orbit World Travel (House of Travel's corporate arm) as a new TMC reseller on 4 July. We are currently working on their customised solution "Orbit Online" powered by Zeno and they will commence rollout to their customers in the second half of this financial year. We expect full migration to be completed within the FY20 financial year and will contribute to Serko's expected growth for FY20.
 - o Tandem has completed the transition of the majority of their customers to Zeno.
 - o Based on transactional volume for the first quarter of the 2019 financial year, Serko now has agreements with ~65% of its customer base to enable transition to Zeno from Serko Online.

We recently announced that Flight Centre is also committed to building their own version of our tech, to be known as "Savi" and we expect to launch next month. Flight Centre are also renewing their contract for a further four years, endorsing Serko as a provider.

- o Progress has been made on Northern Hemisphere expansion with the first live transactions in the UK commencing in July. This included the addition of British Rail bookings within Zeno as well as connections to other UK air suppliers. ATPi are now activating that market using Zeno. This is still in its early stage of rollout as we closely monitor how the technology works using an iterative Agile approach. Pleasingly, the feedback has been very positive from our first customer. Plans are currently being made to scope the content requirements for other countries in Europe as we expand the offering to meet the ATPi contract.

- o We have signed two TMCs in Canada, being Voyages Travel Encore and Custom Travel Solutions. We expect to start the rollout of these Canadian sites shortly.
 - o We have also recently announced Flight Centre's intention to extend its Serko offering to include Canada, the United States and Mexico.
- We seek to grow our average revenue per booking and we do this by adding to our market place, as well as signing TMCs to Zeno.
 - o The commitment to rollout customised versions of Zeno within Flight Centre, Tandem and Orbit will add to both Serko's transaction growth as well as increasing average revenue per booking.
 - o Serko has completed its integration with RoomIt this quarter, which is a global hotel solution provided by the Carlsen Wagonlit Travel group.
 - o We also announced a partnership with Uber for Business that is designed to seamlessly transfer all receipts to the Serko expense solution. We are looking at other exciting features around booking too.
 - o Additional content choices will expand as Serko continues to add content connections for both the current and new Northern Hemisphere market.

Growth Pathways Slide

We have a strong core business base in Australasia and one of the most pleasing aspects of Serko's performance over the past 18 months has been the strong operating leverage we have demonstrated.

We are now deploying the cashflow we generate in Australasia into our Northern Hemisphere expansion as we drive to globalise Zeno. As we expand, we expect each region to eventually contribute to favourable operating leverage as we ramp-up platform utilisation through the scale of our operation.

Serko is targeting total bookings of approximately five million on a run-forward basis at the end of this financial year. On top of this we are pursuing our strategy of offering ancillary content to our TMCs that can be attached to the customer's journey and for which we earn a commission fee. We are also offering additional value-add services, such as expense, which add incremental revenue to the Average Revenue per Booking.

Together the multiplier effect of increasing transactional volume, while driving significant gains in Average Revenue per Booking, will contribute to Serko's aspiration of achieving \$100 million of revenue.

Serko aims to double the five million bookings expected out of Australasian markets with its expansion into new territories. The estimated total corporate bookings in the US is approximately 460 million per annum. It would, therefore, require Serko to gain market share of a little over 1% to achieve that goal. Considering the additional opportunities within UK, Europe and the rest of the world, we believe this is a realistic and achievable goal.

I have just returned from GBTA, a travel industry conference held in San Diego this year, where we showcased Zeno to the US market. There is significant excitement based on the opportunity to grow our market share with Zeno. The product is perceived as being ahead of its time and the interest expressed by customers is the strongest I have seen in my time at Serko.

The vision is proving to be the right one - the product is being well received, and the leadership team is in place to execute. We will continue to be laser-focused on delivering to our strategy and be actively looking at ways to accelerate both organic and inorganic opportunities during the next phase of Serko.

The milestones that we have achieved to date have set Serko up for success. There is still a lot of work to do to activate the opportunities. The capital raise will enable us to accelerate the realization of these opportunities.

I'd like to acknowledge the Board in their diligence in guiding Serko through this growth phase. We listed four years ago in July 2014. Our growth based on annual bookings over the four-year period March 2014 to March 2018 was 215%. We now

do more bookings per week than we did for the entire 2008 financial year, our first year of operations. We have just reached the milestone of 15 million bookings completed through our system since 2008.

We remain strategically committed to continue to achieve high growth as well as focusing on the long term profitability of the business with robust management of our cash to make sure we are gaining the best possible return from the use of this capital.

I am happy to take questions now or talk to you after the meeting is completed. I will hand back to Simon to moderate any questions during the Q&A session.