

Market Release

20 November 2019

FY20 Final Half-Year Results Announcement

for the period ended 30 September 2019

Serko Limited (NZX:SKO) today announces its final unaudited financial results for the six month period ended 30 September 2019 (following the preliminary release made on 24 October 2019).

Please find attached the following documents:

- Results Announcement
- NZX Appendix 2
- Half Year Financial Statements
- Investor Presentation

These documents will also be made available on: www.serko.com/investor-centre

The half-year results will be discussed on a conference call at 11.30am today. To participate in the call dial one of the following numbers. The call confirmation code is 7995393

Location	Phone Type	Phone Number
New Zealand	Tollfree/Freephone	0800 815 732
New Zealand, Auckland	Local	+64 (0) 9 9135 841
Australia	Tollfree/Freephone	1 800 820 237
Australia, Sydney	Local	+61 (0)2 9193 3761
Singapore	Tollfree/Freephone	800 186 5085
Singapore, Singapore	Local	+65 6320 9075
Hong Kong, Hong Kong	Local	+852 3008 1527
United States/Canada	Tollfree/Freephone	800-263-0877

There is no pre-registration required for the conference call.

Ends

For investor relations queries please contact:

Susan Putt
Chief Financial Officer
Serko +64 21 388 009
investor.relations@serko.com

Market Release

20 November 2019

FY20 Final Half-Year Results Announcement

for the period ended 30 September 2019

Serko delivers strong revenue growth

Online booking and expense management leader delivers a 29% increase in half-year Total Operating Revenue, in line with guidance
EBITDAF² remains positive amid an acceleration in investment for growth

Highlights from the unaudited six-month period:

- Total Operating Revenue¹ for the six months ended 30 September 2019 increased 29% to \$14.7 million from \$11.4 million in the same period last year. The result is in line with guidance of an increase of 20% to 40% for the full year.
- Total Recurring Revenue¹ rose 38% to \$13.3 million from \$9.6 million in the same period a year ago and represented 91% of Total Operating Revenue.
- Total Income¹ from all sources, including grants, rose 29% to \$15.2 million from \$11.8 million in the same period last year.
- Net profit after tax (NPAT) fell from \$0.9 million in the same period a year ago to a loss of \$0.9 million. Half-year EBITDAF² was \$1.4 million down from \$1.5 million in the same period a year ago.
- Travel booking platform transaction volumes for the period were 2.2 million up 4.5% over the same period last year.
- ATMR³ reached a peak of \$26.2 million during the period up 35% from \$19.4 million in the same period last year.
- Operating Expenses increased 46% over the same period last year to \$15.7 million from \$10.7 million.
- Research & Development (R&D) costs were \$8.9 million, with \$6.4 million capitalised and \$2.5 million included in Operating Expenses.
- Cash on hand as at 30 September 2019 was \$10.3 million, down from \$15.7 million at 31 March 2019.

¹ Total Operating Revenue is revenue excluding income from grants and finance income, while Total Income includes grants. Recurring Revenue is non-GAAP measure representing recurring revenue derived from transactions and usage of Serko products by contracted customers. It excludes revenues from customised software development (Services Revenue).

² EBITDAF is a non-GAAP measure representing Earnings or Losses before Interest (net Finance income/cost), Tax, Depreciation, Amortisation and Fair value remeasurement of contingent consideration. Serko uses this as a useful measure for an estimate of operating profits excluding non-cash expenses. A reconciliation of EBITDAF to net profit has been provided in the investor presentation accompanying this announcement. Depreciation has increased with the adoption of IFRS 16 and includes rental payments of \$0.5 million which would previously not been included in depreciation as a result of recording a Right of Use Asset and Lease Liability under the adoption of IFRS 16 (Leases).

³ ATMR is a non-GAAP measure representing Annualised Transactional Monthly Revenue. Serko uses this as a useful indicator of recurring revenue from Serko products, based on the monthly transactions and average revenue per booking, on a constant currency basis.

Serko Limited (NZX/ASX:SKO), a leader in online travel booking and expense management for business, today affirms its half-year results reported on 24 October 2019, including continued strong growth in its home markets of Australia and New Zealand and good progress establishing its travel and expense management solutions in the Northern Hemisphere.

Total Operating Revenue for the six months ended 30 September 2019 increased 29% to \$14.7 million from \$11.4 million in the same period last year. The result is in line with guidance of an increase of 20% to 40% for the full year.

A half-year net loss after tax of \$0.9 million is down from a profit of \$0.9 million in the same period a year ago. The result includes a \$0.6 million non-cash adjustment for the fair value remeasurement of the contingent consideration for the December 2018 acquisition of US-based expense management business InterplX. It also includes depreciation and amortisation charges of \$1.3 million. EBITDAF, which excludes these adjustments, was positive at \$1.4 million down slightly from the \$1.5 million in the same period a year ago.

Chairman Simon Botherway said: "We have made pleasing progress in the first half of the 2020 financial year. We remain the leading online business travel booking platform in the Australasian market and continue to build momentum in our global expansion."

OPERATIONAL REVIEW

Half-year recurring revenue rose 38% to \$13.3 million from \$9.6 million in the same period last year and reflected:

- A 20% increase in Travel platform revenue to \$9.2 million from \$7.7 million in the prior year, due to the conversion of customers onto new and higher-price Zeno contracts and a 4.5% increase in travel platform bookings to 2.2 million.
- A 238% increase in Expense platform revenues to \$3.0 million from \$0.9 million. This result includes a \$1.9 million contribution from InterplX, its first six-month contribution to Serko, and a 22% increase in Serko Expense revenue.
- Steady content commission revenue at \$0.8 million.
- A fall in services revenue as development activity focused on North American (NORAM) markets.

ATMR, an indicator of the future growth potential of Serko's annual recurring revenue, reached a peak of \$26.2 million during the period up 35% from \$19.4 million in the same period last year. Average Revenue Per Booking (ARPB) on recurring revenue was \$6.05 for the period.

Operating costs increased 46% to \$15.7 million from \$10.7 million in the same period a year ago as a result of increased head count, costs associated with the expansion into NORAM markets and the consolidation of InterplX. Meanwhile, total R&D costs increased by \$5.1 million over the prior period to \$8.9 million due to the company's investment into market requirements for new Northern Hemisphere territories.

Cash on hand as at 30 September 2019 was \$10.3 million, down from \$15.7 million at 31 March 2019 as the company invested \$5.5 million of its reserves into market development. This cash burn will continue in the second half as development work is accelerated to support new market expansion. Cash balances at 31

October 2019, post the primary capital raise were \$48.6 million. A further \$5 million in funding is expected to be raised from the Share Purchase Plan undertaken, which closed last week.

Serko Chief Executive Darrin Grafton said: "Serko has continued to grow revenue in our home markets thanks in no small measure to the uptake of Zeno.

"More than 1,300 corporate customers transacted on Zeno during the six-month period to 30 September 2019, while Zeno transactions increased by 200% over the same period last year. In September Zeno represented 13% of online bookings and has grown to 15% in October.

"In Australasia, growth in 'same corporate' bookings has softened over the past few months, which we attribute to a general slowdown in the Australian and New Zealand economies and declining business confidence. Despite this, Serko has grown corporate customers by 327 over the half and this user growth has offset the impact on Serko's total revenue growth. We continue to focus on global expansion, and this will assist Serko to mitigate any local market slow down. The impact of these trends continues to be monitored."

Mr Grafton said he expected transactions to grow in all markets in the second half of the financial year with the continued onboarding of new corporates as Serko's Travel Management Company (TMC) partners in North America complete user acceptance testing of Zeno and progress to pilot customers.

"We have invested heavily in our new Zeno platform for expansion into North America and, following our beta release of Zeno in September 2019, we are now processing live bookings in that market.

"Our efforts to grow the global adoption of our solutions received a considerable boost in October with the successful completion of an oversubscribed \$40 million primary capital raising announced on 24 October 2019, which included a material investment by NASDAQ-listed Bookings Holdings Inc, and the launch of a \$5 million Share Purchase Plan.

"The proceeds of the capital raising provides Serko with an exciting opportunity to accelerate the global rollout of Zeno and expand marketplace content. An extension of our partnership with Booking.com (also announced on 24 October 2019) will assist us with these efforts.

"Serko expects the expanded agreement with Booking.com to result in significant benefits for Serko's customers and Travel Management Company (TMC) partners by broadening and improving 'whole of journey' content, accelerating the global rollout of Serko Zeno, and increasing commissions to the TMC reseller community."

As noted in October, the expanded agreement with Booking.com is not expected to have a material impact on Serko's revenues in the current financial year to 31 March 2020, due to the phased development work required and a performance-based rollout plan for Booking.com's global business traveller customers. If achieved, as anticipated, during the 2020 calendar year, the expanded agreement is expected to result in a material uplift in Serko's revenue (via increased ARPB and transaction booking revenue) in the 2021 financial year and beyond.

Mr Grafton said the timing and extent of uptake by new corporates in Northern Hemisphere markets is unknown and subject to variables. Continued development of additional local content in these markets is expected to further increase bookings and support the migration of additional corporates to our platforms. Resources will be increased to match growing demand to support a successful customer experience.

"European markets are not expected to contribute materially in the current financial year (due to our prioritisation of the NORAM roll-out). However, a portion of the proceeds of the recent capital raising will be used to accelerate development of the European market, which is expected to result in increasing revenue for the 2021 financial year."

OUTLOOK

"Serko continues to invest in its global expansion, specifically in North America and continental Europe. The capital raising and the expanded agreement with Booking.com will allow us to accelerate that expansion and assist Serko to achieve its medium-term aspirational target (announced at our Annual Meeting in August) of a \$100 million annualised revenue run-rate," Mr Botherway said.

"Serko continues to expect Total Operating Revenue to grow 20% to 40% for the year ending 31 March 2020. As previously advised, currency fluctuations and the timing of customer onboarding will be key factors in determining our final result."

Ends

For investor relations queries please contact:

Susan Putt
Chief Financial Officer
Serko +64 9 309 4754 or +64 21 388 009
investor.relations@serko.com

About Serko

Serko is a market leading travel and expense technology solution in Australasia, used by over 6,000 corporate entities and Travel Management Companies who combined book more than AUD \$6 billion of travel a year through Serko's platforms. Zeno is Serko's next generation travel management application, using intelligent technology, predictive workflows, and a global travel marketplace to transform business travel across the entire journey. Serko is listed on the New Zealand Stock Exchange Main Board (NZX:SKO) and Australian Securities Exchange (ASX:SKO). Serko employs more than 200 people worldwide, with its headquarters in New Zealand, and offices across Australia, China, India, and the U.S. Visit www.serko.com for more information.

Note: all \$ amounts are New Zealand Dollars unless otherwise stated.

RESULTS ANNOUNCEMENT

20 November 2019

Results for announcement to the market

Name of issuer	Serko Limited ("SKO")	
Reporting Period	6 months to 30 September 2019	
Previous Reporting Period	6 months to 30 September 2018	
Currency	New Zealand Dollars	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$15,212	Up 29%
Total Revenue	\$15,212	Up 29%
Net profit/(loss) from continuing operations	(\$866)	Down 194%
Total net profit/(loss)	(\$866)	Down 194%
Interim/Final Dividend		
Amount per Quoted Equity Security	No dividends have been paid during the period and there is no intention to pay dividends while Serko pursues growth opportunities	
Imputed amount per Quoted Equity Security	Not applicable	
Record Date	Not applicable	
Dividend Payment Date	Not applicable	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	11.22 cents	25.61 cents
A brief explanation of any of the figures above necessary to enable the figures to be understood	<p>Net tangible assets decreased from the prior comparable period due to increasing investment in Intangible Assets as Serko further develops its internally generated software for expansion into new territories. For further commentary on the results, please refer to the accompanying Market Announcement and Investor Presentation.</p> <p>This Results Announcement (Appendix 2) should be read in conjunction with the unaudited consolidated financial statements for the six months ended 30 September 2019 ("Interim Financial Statements").</p>	

	<p>The Interim Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand and comply with New Zealand equivalents to International Financial Reporting Standards ("NZIFRS") and accounting policies set out in the Interim Financial Statements. Pursuant to ASX listing rule 1.15.3, Serko Limited confirms that it continues to comply with the rules of its home exchange (NZX Main Board).</p> <p>Copies of Serko's prior Annual Reports and Interim Reports (when prepared) can be found on Serko's website, at www.serko.com/investor-centre</p>
Authority for this announcement	
Name of person authorised to make this announcement	Susan Putt
Contact person for this announcement	Susan Putt, CFO
Contact phone number	+64 21 388 009
Contact email address	investor.relations@serko.com
Date of release through MAP	20/11/2019

Unaudited financial statements for the six months ended 30 September 2019 accompany this announcement.

FINANCIAL STATEMENTS

For the six month period ended 30 September 2019

serko

Serko Limited

Contents

For the six month period ended 30 September 2019

	Page
Consolidated statement of comprehensive income	3
Consolidated statement of changes in equity	4
Consolidated statement of financial position	5
Consolidated statement of cash flows	6
Notes to the financial statements	7-12

Serko Limited

Consolidated statement of comprehensive income

For the six months ended 30 September 2019

	NOTES	6 months Unaudited 30 Sep 2019 \$(000)	6 months Unaudited 30 Sep 2018 \$(000)	12 months Audited 31 Mar 2019 \$(000)
Revenue	2	14,671	11,350	23,361
Other Income	2	541	465	1,215
Total revenue and other income		15,212	11,815	24,576
Operating expenses				
Selling and marketing expenses		(1,224)	(959)	(1,691)
Remuneration and benefits		(7,709)	(6,179)	(13,135)
Administration expenses		(4,884)	(2,769)	(6,563)
Other expenses		(1,834)	(779)	(1,931)
Total operating expenses	3	(15,651)	(10,686)	(23,320)
Finance income		95	93	360
Finance expenses		(470)	(270)	(70)
(Loss)/Profit before income tax		(814)	952	1,546
Income tax (expense)/benefit		(52)	(32)	87
Net (loss)/profit attributable to the shareholders of the company		(866)	920	1,633
Movement in foreign currency reserve		232	30	(126)
Total comprehensive (loss)/income for the year		(634)	950	1,507
Earnings per share				
Basic profit per share	11	\$ (0.01)	\$ 0.01	\$ 0.02
Diluted profit per share	11	\$ (0.01)	\$ 0.01	\$ 0.02

Consolidated statement of changes in equity

For the six months ended 30 September 2019

	NOTES	Share Capital	Share-based Payment Reserve	Foreign Currency Reserve	Accumulated Losses	Total
		\$(000)	\$(000)	\$(000)	\$(000)	\$(000)
Balance as at 1 April 2019		40,993	1,885	(211)	(16,432)	26,235
Net loss for the year		-	-	-	(866)	(866)
Adjustment on adoption of new IFRS16		-	-	-	(304)	(304)
Other comprehensive loss*		-	-	232	-	232
Total comprehensive (loss) for the year		-	-	232	(1,170)	(938)
Transactions with owners						
Shares allocated to employees	10	-	208	-	-	208
Shares forfeited from employees	10	-	(3)	-	-	(3)
Share-based payments - employee share options	10	-	37	-	-	37
Balance as at 30 September 2019		40,993	2,127	21	(17,602)	25,539
Balance as at 1 April 2018		25,185	1,309	(85)	(18,065)	8,344
Net profit for the year		-	-	-	920	920
Other comprehensive loss*		-	-	30	-	30
Total comprehensive income for the year		-	-	30	920	950
Transactions with owners						
Issue of shares (net of issue costs)	10	14,288	-	-	-	14,288
Allocated shares to employees	10	-	231	-	-	231
Balance as at 30 September 2018		39,473	1,540	(55)	(17,145)	23,813
Balance as at 1 April 2018		25,185	1,309	(85)	(18,065)	8,344
Net profit for the year		-	-	-	1,633	1,633
Other comprehensive loss*		-	-	(126)	-	(126)
Total comprehensive income for the year		-	-	(126)	1,633	1,507
Transactions with owners						
Issue of share capital	10	15,048	-	-	-	15,048
Cost of equity issued	10	(778)	-	-	-	(778)
Shares allocated to employees	10	-	406	-	-	406
Shares forfeited from employees	10	-	(24)	-	-	(24)
Share-based payments - employee share options	10	-	194	-	-	194
Shares issued in respect of InterplX acquisition	10	1,538	-	-	-	1,538
Balance as at 31 March 2019		40,993	1,885	(211)	(16,432)	26,235

*Items in other comprehensive income may be reclassified to the income statement and are shown net of tax.

Serko Limited

Consolidated statement of financial position

As at 30 September 2019

	NOTES	6 months Unaudited 30 Sep 2019 \$(000)	6 months Unaudited 30 Sep 2018 \$(000)	12 months Audited 31 Mar 2019 \$(000)
Current assets				
Cash at bank and on hand		10,253	18,971	15,732
Receivables	4	6,921	4,198	5,493
Derivative financial instruments	5	-	52	421
Total current assets		17,174	23,221	21,646
Non-current assets				
Property, plant and equipment	6	1,263	998	1,129
Right of use asset	9	1,926		
Intangible assets	7	16,457	3,237	10,553
Deferred tax asset		90	160	84
Total non-current assets		19,736	4,395	11,766
Total assets		36,910	27,616	33,412
Current liabilities				
Trade and other payables	8	5,827	3,338	4,791
Contingent Consideration	14	2,410	-	1,825
Income tax payable		155	77	224
Interest-bearing loans and borrowings		-	51	54
Lease liabilities	9	1,038	-	-
Derivative financial instruments	5	328	-	-
Total current liabilities		9,758	3,466	6,894
Non-current liabilities				
Trade and other payables	8	-	159	134
Interest-bearing loans and borrowings		-	178	149
Lease liabilities	9	1,613	-	-
Total non-current liabilities		1,613	337	283
Total liabilities		11,371	3,803	7,177
Equity				
Share capital	10	40,993	39,473	40,993
Share-based payment reserve	10	2,127	1,540	1,885
Foreign currency reserve		21	(55)	(211)
Accumulated losses		(17,602)	(17,145)	(16,432)
Total equity		25,539	23,813	26,235
Total equity and liabilities		36,909	27,616	33,412

For and on behalf of the Board of Directors, who authorise these financial statements for issue on 20 November 2019



Simon Botherway
Chairman



Darrin Grafton
Chief Executive Officer

Serko Limited

Consolidated statement of cash flows

For the six months ended 30 September 2019

	NOTES	6 months Unaudited 30 Sep 2019 \$(000)	6 months Unaudited 30 Sep 2018 \$(000)	12 months Audited 31 Mar 2019 \$(000)
Cash flows from operating activities				
Receipts from customers		14,736	10,929	21,855
Interest received		95	30	304
Receipts from grants		541	465	1,264
Taxation (paid)/refund received		(135)	(32)	(142)
Payments to suppliers and employees		(13,210)	(9,825)	(19,395)
Interest payments		(69)	(10)	(20)
Net GST refunded (paid)		(25)	73	(219)
Net cash flows from operating activities	12	1,933	1,630	3,647
Cash flows from investing activities				
Purchase of property, plant and equipment		(280)	(226)	(466)
Capitalised development costs and other intangible assets		(6,284)	(1,921)	(6,813)
Net cash flows (used in) investing activities		(6,564)	(2,147)	(7,279)
Cash flows from financing activities				
Issue of ordinary shares (net of issue costs)	10	-	14,288	14,270
Payment of lease liabilities		(448)	-	-
Net repayment of loans		(26)	(24)	(50)
Net cash flows from/(used in) financing activities		(474)	14,264	14,220
Net (decrease)/increase in total cash		(5,105)	13,747	10,588
Net foreign exchange difference		(374)	(8)	(88)
Cash and cash equivalents at beginning of period		15,732	5,232	5,232
Cash and cash equivalents at end of period		10,253	18,971	15,732
Cash and cash equivalents comprises the following:				
Cash at bank and on hand		10,253	18,971	15,732
		10,253	18,971	15,732

Serko Limited

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 September 2019

1 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

a) Corporate information

The company is a limited liability company domiciled and incorporated in New Zealand under the Companies Act 1993 and is listed on the New Zealand Stock Exchange (NZX) and the Australian Securities Exchange (ASX). Its registered office is at Unit 14d, 125 The Strand, Parnell, Auckland. The Company is an FMC Reporting Entity under the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

The unaudited interim consolidated financial statements of Serko Limited ('the company') and subsidiaries ('the group') were authorised for issue in accordance with a resolution of directors.

The group is involved in the provision of computer software solutions for corporate travel. The group is headquartered in Auckland, New Zealand.

b) Basis of preparation

These unaudited interim financial statements of Serko Limited (the company) and its subsidiaries (together "the group") have been prepared in accordance with New Zealand Generally Accepted Accounting Practice and comply with the requirements of International Accounting Standard (IAS) 34 Interim Financial Reporting and with New Zealand Equivalent to International Accounting Standard (IAS) 34 Interim Financial Reporting.

The unaudited interim financial statements have been prepared using the going concern assumption and are presented in thousands of New Zealand Dollars. The Company is a profit oriented entity.

c) Changes in accounting policies and disclosures

Apart from the changes noted below, the unaudited interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as, and should be read in conjunction with, the financial statements and related notes included in the Group's annual report for the financial year ended 31 March 2019.

Application of new and revised standards, amendments and interpretations

NZ IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard deals with the recognition, measurement, presentation and disclosure of leases and replaces the current guidance in NZ IAS 17 Leases (NZ IAS 17). The new standard introduces a single model for lessees which recognises all leases on the balance sheet through an asset representing the rights to use the leased item during the lease term and a liability for the obligation to make lease payments. This removes the distinction between operating and finance leases and aims to provide users of the financial statements relevant information to assess the effect of that leases have on the statement of financial position, statement of comprehensive income and cash flows of the reporting entity. Lessor accounting remains largely unchanged from NZ IAS 17 for the Group.

The Group adopted NZ IFRS16 using the modified retrospective approach with the right-of-use (ROU) asset being determined as if NZ IFRS 16 had been applied from lease commencement, but using this incremental borrowing rate as at transition date. The Group has made use of the practical expedient available on transition to NZ IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with NZ IAS 17 will continue to be applied to those leases entered or modified before 1 April 2019. Comparative numbers have not been restated.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019. Key changes to the financial statements are set out below:

- recognition of a right of use asset and lease liability for operating leases, adjusted for any incentives on the Statement of Financial Position.
- recognition of interest and depreciation expense (refer to note 3) instead of operating lease rental expense in the Statement of Financial Performance. The change in accounting standard will not significantly impact NPAT for the current financial year.
- interest-bearing loans and borrowings relating to leasehold improvements have been reclassified.

In accordance with the transition provisions of NZ IFRS 16, comparatives will not be restated, with the cumulative effect being recognised in opening retained earnings at 1 April 2019.

A reconciliation of operating lease commitments at 31 March 2019 to the lease liability recognised at 1 April 2019 is shown below:

	Unaudited \$(000)
Operating lease commitments disclosed at 31 March 2019	1,688
The effect of discounting	(232)
Adjustments as a result of a different treatment of extension and termination options	1,200
Lease liabilities recognised as at 1 April 2019	2,656
<i>Classified as:</i>	
Less than one year	818
Later than one year, but not more than five years	1,838
Lease liabilities recognised as at 1 April 2019	2,656

Serko Limited also entered into a lease agreement to sub-lease additional premises through to December 2020, with this premises being available for use in October 2019.

Practical expedients applied

In applying NZ IFRS 16 for the first time, Serko has used the following practical expedients permitted by the standard:

- use of a single discount rate to leases with reasonably similar characteristics;
- accounted for each lease component and any associated non-lease components as a single lease component;
- excluded lease contracts of insignificant value;
- excluded lease contracts less than 12 months; and
- exclusion of initial direct costs for the measurement of the lease asset at the date of initial application.

Serko Limited

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 September 2019

2 REVENUE AND OTHER INCOME

	Unaudited 30 Sep 2019 \$(000)	Unaudited 30 Sep 2018 \$(000)	Audited 31 Mar 2019 \$(000)
Revenue - transaction and usage fees:			
Travel platform booking revenue	9,243	7,721	15,948
Expense platform revenue	2,991	884	2,710
Supplier commissions revenue	837	834	1,538
Revenue - services	1,358	1,722	2,698
Other revenues	242	189	467
Total revenue	14,671	11,350	23,361
Government grants	541	461	1,208
Sundry income	-	4	7
Total other income	541	465	1,215
Total revenue and other income	15,212	11,815	24,576

Geographic information

	Unaudited 30 Sep 2019 \$(000)	Unaudited (Restated)* 30 Sep 2018 \$(000)	Audited 31 Mar 2019 \$(000)
Australia	10,366	9,399	18,238
New Zealand	1,376	998	3,440
US	2,712	815	1,471
Other	217	138	212
Total Revenue	14,671	11,350	23,361

* Supplier content revenue from US sources was reclassified for prior year interim results to be consistent with classification as per final audited accounts.

3 EXPENSES

	Unaudited 30 Sep 2019 \$(000)	Unaudited 30 Sep 2018 \$(000)	Audited 31 Mar 2019 \$(000)
Operating profit before taxation includes the following expenses:			
Auditor remuneration and advisory fees	86	40	86
Expected credit loss allowance on receivables	-	-	(7)
Amortisation of intangibles	631	240	754
Depreciation	617	121	294
Fair value remeasurement of contingent consideration	585	-	287
Rental and operating lease expenses	-	351	804
Interest expense on lease liabilities	63	-	-
Employee remuneration	6,977	5,593	11,924
Contributions to pension plans	342	214	433
Share-based payment expenses	242	231	576
Marketing expenses	736	511	1,171
Hosting expenses	1,835	779	1,931
Other operating expenses	3,537	2,607	5,067
Expenses from ordinary activities	15,651	10,686	23,320
Research expenses (excluding capitalised development costs)	2,545	1,940	2,425

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. Research expenditure includes expenditure that meets the definition of research expenditure as defined in NZ IAS 38.

Serko Limited
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 September 2019

4 RECEIVABLES

	Unaudited 30 Sep 2019 \$(000)	Unaudited 30 Sep 2018 \$(000)	Audited 31 Mar 2019 \$(000)
Current assets			
Trade receivables	3,050	3,568	3,040
Expected credit loss provision	(7)	-	(7)
Provision for doubtful debts	-	(60)	-
GST receivable	254	83	229
Sundry debtors	98	-	58
Contract assets	2,374	-	1,593
Prepayments	1,110	607	551
Funds held in trust	42	-	29
Total trade and other receivables	6,921	4,198	5,493

5 DERIVATIVE FINANCIAL INSTRUMENTS

The group uses derivatives in the form of forward exchange contracts (FECs) to reduce the risk that movements in the exchange rate will affect the group's New Zealand dollar cash flows. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The following table presents the group's foreign currency forward exchange contracts measured at fair value:

	Unaudited 30 Sep 2019 \$(000)	Unaudited 30 Sep 2018 \$(000)	Audited 31 Mar 2019 \$(000)
Current:			
Foreign currency forward exchange contracts	(328)	52	421
Contractual amounts of forward exchange contracts outstanding were as follows:			
Purchase commitments forward exchange contracts	18,856	9,750	11,016

Derivative Financial Instruments have been determined to be within level 2 of the fair value hierarchy. Foreign currency forward exchange contracts have been fair valued using published market foreign exchange rates.

6 PROPERTY, PLANT & EQUIPMENT

	Unaudited 30 Sep 2019 \$(000)	Unaudited 30 Sep 2018 \$(000)	Audited 31 Mar 2019 \$(000)
Opening balance	1,129	893	893
Additions	280	226	464
Acquisition through business combinations	-	-	68
Depreciation	(161)	(121)	(294)
Currency translation	15	-	(2)
Closing balance	1,263	998	1,129

7 INTANGIBLE ASSETS

	Unaudited 30 Sep 2019 \$(000)	Unaudited 30 Sep 2018 \$(000)	Audited 31 Mar 2019 \$(000)
Opening balance	10,553	1,574	1,574
Additions	6,284	1,903	6,813
Acquisition through business combinations	-	-	3,006
Amortisation	(631)	(240)	(754)
Currency translation	251	-	(86)
Closing balance	16,457	3,237	10,553

Serko Limited
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 September 2019

8 TRADE AND OTHER PAYABLES

	Unaudited 30 Sep 2019 \$(000)	Unaudited 30 Sep 2018 \$(000)	Audited 31 Mar 2019 \$(000)
Trade payables	428	1,167	1,171
Accrued expenses	4,259	1,259	2,674
Lease incentive*	-	205	193
Employee entitlements	1,140	866	887
Total trade and other payables	5,827	3,497	4,925
Disclosed as:			
Current	5,827	3,338	4,791
Non-current	-	159	134
	5,827	3,497	4,925

* The lease incentive has been reclassified upon transition to NZ IFRS16.

9 RIGHT OF USE ASSETS AND LEASE LIABILITIES
Recognition and measurement of Serko leasing activities

Serko leases property for fixed period of between 1 and 6 years and some include extension options. These extension options are usually at the discretion of Serko and are included in the measurement of the lease asset if management intends to exercise the extension.

Prior to 31 March 2019, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease incentives are recognised as part of the measurement of the right-of-use asset and lease liabilities whereas under NZ IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis. Lease liabilities include the net present value of fixed payments less any lease incentives receivable. The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Lease assets are measured at cost comprising of the amount of the initial measurement of lease liability. The recognised right-of-use asset relates to the property class of underlying assets.

Lease assets	Unaudited 30 Sep 2019 \$(000)
Key movements relating to lease balances are presented below:	
Balance at 1 April 2019, due to first-time adoption of NZ IFRS 16	1,952
Additions during the period	405
Depreciation charges	(456)
Exchange differences	25
Closing balance	1,926

Lease liabilities	Unaudited 30 Sep 2019 \$(000)
Key movements relating to lease balances are presented below:	
Balance at 1 April 2019, due to first-time adoption of NZ IFRS 16	2,656
Leases entered into during the period	405
Principal repayments	(448)
Foreign exchange adjustment	38
Closing balance	2,651
Less than one year	1,038
Later than one year, but not more than five years	1,613
Closing balance	2,651

Serko Limited
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 September 2019

10 EQUITY

	Unaudited 30 Sep 2019	Unaudited 30 Sep 2018	Audited 31 Mar 2019	Unaudited 30 Sep 2019 NUMBER OF SHARES (000)	Unaudited 30 Sep 2018 NUMBER OF SHARES (000)	Audited 31 Mar 2019 NUMBER OF SHARES (000)
	\$(000)	\$(000)	\$(000)			
Ordinary shares						
Share capital at beginning of period	40,993	25,185	25,185	80,923	74,894	74,894
Issue of shares (pursuant to institutional capital placement)	-	14,288	14,270	-	5,455	5,455
Shares issued in respect of InterplX acquisition	-	-	1,538	-	-	574
Share capital	40,993	39,473	40,993	80,923	80,349	80,923
Share-based payment reserve						
Balance at beginning of period	1,885	1,309	1,309	-	-	-
Shares allocated to employees via Restricted Share Plan	208	231	406	-	-	-
Shares forfeited from employees via Restricted Share Plan	(3)	-	(24)	-	-	-
Share-based payments - employee share options	37	-	194	-	-	-
Share-based payment reserve	2,127	1,540	1,885	-	-	-

11 EARNINGS PER SHARE (EPS)

	Unaudited 30 Sep 2019 \$(000)	Unaudited 30 Sep 2018 \$(000)	Audited 31 Mar 2019 \$(000)
Profit attributable to ordinary equity holders of the parent			
Continuing operations	(866)	920	1,633
	(866)	920	1,633
	Number	Number	Number
Basic earnings per share			
Issued ordinary shares (refer Note 10)	80,923	80,349	80,923
Weighted average of issued ordinary shares	80,923	76,083	80,923
Adjusted for employee restricted share plan shares	(2,587)	(2,804)	(2,769)
Weighted average of issued ordinary shares	78,336	73,279	78,154
Basic earnings per share (dollars)	(0.01)	0.01	0.02
Diluted earnings per share			
Weighted average of issued ordinary shares	80,923	76,083	80,923
Weighted average of issued ordinary shares for diluted earnings per share	80,923	76,083	80,923
Diluted earnings per share (dollars)	(0.01)	0.01	0.02
	Unaudited 30 Sep 2019 Cents	Unaudited 30 Sep 2018 Cents	Audited 31 Mar 2019 Cents
Net tangible assets per security	11.22	25.61	19.38

12 RECONCILIATION OF OPERATING CASH FLOWS

	Unaudited 30 Sep 2019 \$(000)	Unaudited 30 Sep 2018 \$(000)	Audited 31 Mar 2019 \$(000)
Net Profit after tax	(866)	920	1,633
Adjustments			
Depreciation	617	121	294
Amortisation	631	240	754
Fair value remeasurement of contingent consideration	585	-	287
Increase/(decrease) in deferred tax	6	(5)	(72)
(Gain)/loss on foreign exchange transactions	431	241	(153)
Share-based compensation	242	231	576
	1,646	1,748	3,319
Changes in working capital items			
(Increase)/decrease in receivables	(1,007)	(388)	(1,795)
Increase/(decrease) in trade and other payables	1,364	291	1,998
Increase/(decrease) in income tax	(70)	(21)	125
	287	(118)	328
Net cash from operating activities	1,933	1,630	3,647

Serko Limited

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 September 2019

13 RELATED PARTIES

a) Subsidiaries

The consolidated financial statements include the financial statements of Serko Limited and subsidiaries as listed in the following table:

Name	Balance date	% EQUITY INTEREST			INVESTMENT \$(000)		
		Unaudited 30 Sep 2019	Unaudited 30 Sep 2018	Audited 31 Mar 2019	Unaudited 30 Sep 2019	Unaudited 30 Sep 2018	Audited 31 Mar 2019
Serko Australia Pty Limited	31 March	100%	100%	100%	1	1	1
Serko Trustee Limited	31 March	100%	100%	100%	-	-	-
Serko India Private Limited	31 March	99%	99%	99%	2	2	2
Serko Investments Limited	31 March	100%	100%	100%	-	-	-
Foshan Sige Information Technology Limited	31 March	100%	100%	100%	-	-	-
Serko Inc	31 March	100%	100%	100%	-	-	-
InterplX Inc	31 March	100%	0%	100%	3,076	-	3,076
					3,079	3	3,079

Serko Australia Pty Limited's principal business is the marketing and support of travel booking software solutions supplied by Serko Limited.

Serko Trustee Limited was incorporated on 4 June 2014 to hold the shares issued to key management and staff in the Restricted Share Scheme and Salary Sacrifice Scheme in trust until vesting.

Serko India Private Limited was incorporated on 18 February 2015 as a subsidiary for the India-based operations.

Serko Investments Limited was incorporated on 5 November 2014 as a holding company. It holds 1% of the shares in Serko India Private Limited.

Foshan Sige Information Technology Limited was incorporated on 7 August 2017 as a subsidiary for the China-based operations.

Serko Inc. was incorporated on 30 October 2017 as a subsidiary for the US-based operations.

InterplX Inc was acquired on 20 December 2018 as a subsidiary of the group. InterplX Inc is an Expense solution based in the US.

14 CONTINGENCIES

Part of the consideration for the acquisition of InterplX relates to the issue of further Serko shares, to be issued 31 January 2020. Contingent consideration is based on achievement of InterplX revenue performance over the period 1 January 2019 to 31 December 2019. Contingent consideration is measured at fair value at each reporting date and remeasurement changes are recognised in profit and loss. Fair value at 30 September 2019 was \$2,410,000 (31 March 2019: \$1,825,000, 30 September 2018: not applicable).

15 EVENTS AFTER BALANCE DATE

On 30 October 2019, Serko issued 9,900,900 shares pursuant to an institutional capital placement at \$4.04 per share. Serko is also expected to raise a further \$5 million through a Share Purchase Plan (SPP) due to settle on 22 November 2019.

COMPANY DIRECTORY



Serko is a company incorporated with limited liability under the New Zealand Companies Act 1993
New Zealand Companies Office registration number [1927488](#)
Australian Registered Body Number (ARBN) [611 613 980](#)
For investor relations queries contact: InvestorRelations@serko.com

KEY CONTACTS

REGISTERED OFFICE

New Zealand
Saatchi Building
Unit 14D
125 The Strand
Parnell, 1010
+64 9 309 4754

Australia
c/- Sly & Russell Legal
Nominees Pty Ltd
Level 18
225 George Street
Sydney 2000
NSW, Australia

PRINCIPAL ADMINISTRATION OFFICE

New Zealand
Saatchi Building
Unit 14D
125 The Strand
Parnell, 1010
+64 9 309 4754

Australia
Level 8
75 Elizabeth Street
Sydney 2000
NSW, Australia
+61 2 9435 0380

SHARE REGISTRAR

New Zealand
Link Market Services Limited
Level 11, Deloitte House
80 Queen Street
Auckland 1140, New Zealand
+64 9 375 5998
serko@linkmarketservices.co.nz

Australia
Link Market Services Limited
Level 12
680 George Street
Sydney 2000
NSW, Australia
+61 1300 554 474

DIRECTORS

Simon Botherway (Chairman)
Claudia Batten
Robert (Clyde) McConaghy
Darrin Grafton
Robert (Bob) Shaw

AUDITOR

Deloitte Limited
Deloitte Centre
80 Queen Street
Auckland 1040, New Zealand
+64 9 303 0700



Financial Statements for the six month period ended 30 September 2019
www.serko.com

serko

Interim Results Presentation

20 November 2019

DISCLAIMER

- This presentation has been prepared by Serko Limited. 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
 - is for general information purposes only, and does not constitute, or contain, an offer or invitation for subscription, purchase, or recommendation of securities in Serko Limited for the purposes of the Financial Markets Conduct Act 2013 or otherwise, or constitute legal, financial, tax, financial product, or investment advice;
 - should be read in conjunction with, and is subject to Serko's Interim Financial Statements and Annual Reports, market releases and information published on Serko's website (www.serko.com);
 - includes forward-looking statements about Serko and the environment in which Serko operates, which are subject to uncertainties and contingencies outside Serko's control – Serko's actual results or performance may differ materially from these statements;
 - includes statements relating to past performance information for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance;
 - may contain information from third-parties believed to be reliable, however, no representations or warranties are made as to the accuracy or completeness of such information.
- Non-GAAP financial information does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities. The non-GAAP financial information included in this release has not been subject to review by auditors. Non-GAAP measures are used by management to monitor the business and are useful to provide investors to access business performance.
- Interim results are unaudited.

The background is a blue-tinted aerial photograph of a city skyline, featuring numerous skyscrapers. Two white curved lines are overlaid on the image: one in the upper right corner and another in the lower left corner.

CEO Welcome

serko

FY20 Financial Highlights

The FY20 Half Year Results to 30 September 2019 are unaudited. The half year results have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards including the adoption of IFRS 16 (Leases) from 1 April 2019. All other accounting policies have been applied on a consistent basis with those used in previous years.

serko

PERFORMANCE DASHBOARD – Half Year FY20

FY20 (H1) VS FY19 (H1) - Unaudited

PROFIT (LOSS)

(\$0.9m)

NET LOSS AFTER TAX

\$1.4m

EBITDAF¹ positive inline with prior corresponding period

REVENUE

29%

↑ INCREASE

OPERATING REVENUE

\$14.7m

Operating revenue from core products plus services revenue

38%

↑ INCREASE

RECURRING REVENUE²

\$13.3m

Recurring revenue (core product revenue only)
91% of total operating revenue

29%

↑ INCREASE

TOTAL INCOME

\$15.2m

Total income from all sources including grants

ACTIVITY

35%

↑ INCREASE

PEAK ATMR³

\$26.2m

Indicator of future growth potential based on current trading

4.5%

↑ INCREASE

TRAVEL BOOKINGS

2.2m

Travel platform bookings for the period

COSTS

132%

↑ INCREASE

R&D COSTS⁴

\$8.9m

61% of Revenue
Opex \$2.5m
Capex \$6.4m

46%

↑ INCREASE

OPERATING EXPENSES

\$15.7m

Net FTE⁵ increase in the period of 35 to 208 employees

Notes 1 – 5: Refer to Appendix for definitions.

NET PROFIT SUMMARY/ EBITDAF RECONCILIATION

- Operating Revenue of \$14.7m up 29%
- EBITDAF positive of \$1.4m in line with prior year
- Net loss for the period of \$0.9m includes fair value adjustment relating to contingent consideration of \$0.6m

Net Profit Summary EBITDAF Reconciliation	H1 FY20 6 months \$'000	H1 FY19 6 months \$'000	change \$'000	change %	FY19 12 months \$'000
Operating Revenue	14,671	11,350	3,321	29%	23,361
Other income (including Grants)	541	465	76	16%	1,215
Total income	15,212	11,815	3,397	29%	24,576
Operating expenses Percentage of operating revenue	(15,651) -107%	(10,686) -94%	(4,965)	-46%	(23,320) -100%
Net finance income (losses)	(375)	(177)	(198)	-112%	290
Net profit before tax Percentage of operating revenue	(814) -6%	952 8%	(1,761)	-186%	1,546 7%
Income tax expense	(52)	(32)	(20)	-63%	87
Net profit (loss)	(866)	920	(1,781)	-194%	1,633
Add back: income tax expense	52	32	20	63%	(87)
Add back (Deduct): net finance (income)/expenses	375	177	195	112%	(290)
Add back: depreciation and amortisation ¹	1,248	361	895	246%	1,048
Add back: fair value measurement ²	585	-	585	n/a	287
EBITDAF	1,394	1,490	(96)	-6%	2,591
EBITDAF margin	10%	13%			11%

¹ Depreciation includes rental costs of \$0.5 million which have been reclassified under IFRS16 (Leases) adoption

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

REVENUE ANALYSIS

- Recurring revenue up 38%
- Travel platform revenue up 20% primarily related to conversion to new Serko Zeno contracts as transactions for Australasia up 4.5%
- Expense platform revenue includes contribution from InterplX acquisition of \$1.9m for the period
- Expense revenue related to Serko Expense up 22%
- Content commission steady against prior year
- Services revenue down on prior year as development resources focused on NORAM activation (as planned)
- Average Revenue per Booking for the period was \$6.05 based on recurring revenue of \$13.3m over 2.2m bookings.

Revenue and Other Income by Type

	H1 FY20 6 months \$000	H1 FY19 6 months \$000	change \$000	change %	FY19 12 months \$000
Travel platform revenue	9,243	7,721	1,522	20%	15,948
Expense platform revenue	2,990	884	2,106	238%	2,710
Content commissions	837	834	3	0%	1,538
Other revenue	243	189	54	29%	467
Recurring revenue	13,313	9,628	3,685	38%	20,663
Recurring revenue % operating revenue	91%	85%			89%
Services revenue	1,358	1,722	(364)	-21%	2,698
Total operating revenue	14,671	11,350	3,321	29%	23,361
Government grants	541	461	80	17%	1,208
Sundry income	-	4	(4)	-100%	7
Total other income	541	465	76	16%	1,215
Total revenue and other income	15,212	11,815	3,397	29%	24,576

Operating Revenue by Geography

Australia	10,366	9,399	967	10%	18,238
New Zealand	1,376	998	378	38%	3,440
North America	2,712	815	1,897	233%	1,471
Other	217	138	79	57%	212
Total operating revenue	14,671	11,350	3,321	29%	23,361

OPERATING EXPENSES

- Operating Costs increased as a result of increased head count and costs associated with expansion into NORAM markets and include InterplX operating costs in the period whereas these are not included in the same period last year.

Operating Expenses	H1 FY20 6 months \$000	H1 FY19 6 months \$000	change \$000	change %	FY19 12 months \$000
Selling and marketing	1,224	959	265	28%	1,691
Remuneration and benefits	7,709	6,179	1,530	25%	13,135
Administration expenses	4,884	2,769	2,115	76%	6,563
Other expenses	1,834	779	1,055	135%	1,931
Total Operating Expense	15,651	10,686	4,965	46%	23,320
Percentage of Operating Revenue	107%	94%			100%

RESEARCH & DEVELOPMENT

- Total R&D costs increased by \$5.1m over prior year due to investment into market requirements for new Northern Hemisphere territories

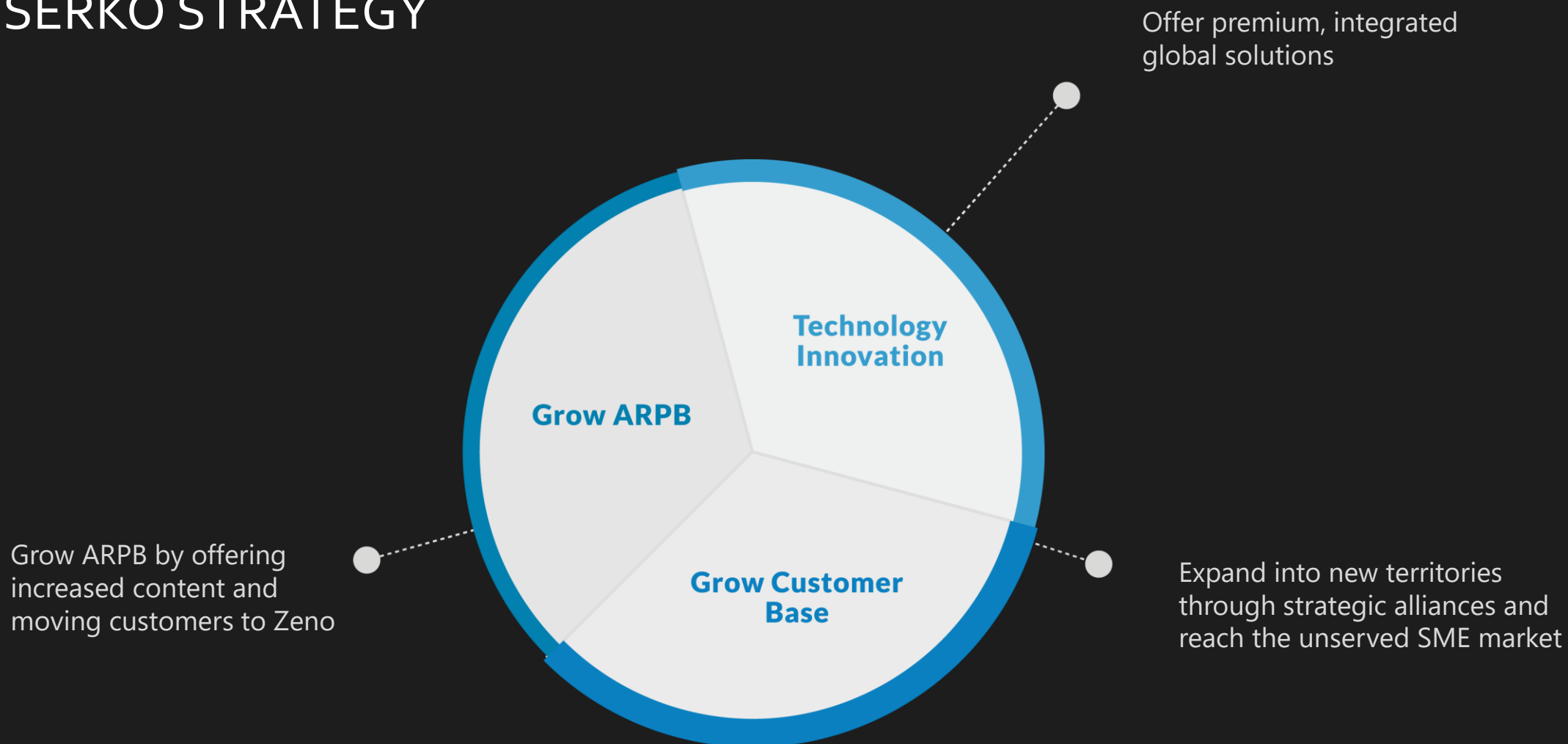
R&D Costs – Expensed	H1 FY20 6 months \$000	H1 FY19 6 months \$000	change \$000	change %	FY19 12 months \$000
Total R&D costs (including amounts capitalised)	8,921	3,843	5,078	132%	9,165
Percentage of operating revenue	61%	34%			39%
Less: capitalised product development costs	(6,376)	(1,903)	(4,473)	-235%	(6,740)
Percentage of R&D costs	71%	50%			74%
Research costs (excluding amortisation of amounts previously capitalised)	2,545	1,940	605	31%	2,425
Percentage of operating revenue	17%	17%			10%
Less: Government grants relating to research	(408)	(461)	53	11%	(876)
Add: Amortisation of capitalised development costs	631	240	391	163%	754
Net product development costs expensed	2,768	1,719	1,049	61%	2,303
Percentage of operating revenue	19%	15%			10%

The background is a blue-tinted aerial photograph of a city skyline, featuring numerous skyscrapers. Two large, white, curved lines are overlaid on the image, one on the left and one on the right, framing the central text.

Strategic Updates

serko

SERKO STRATEGY

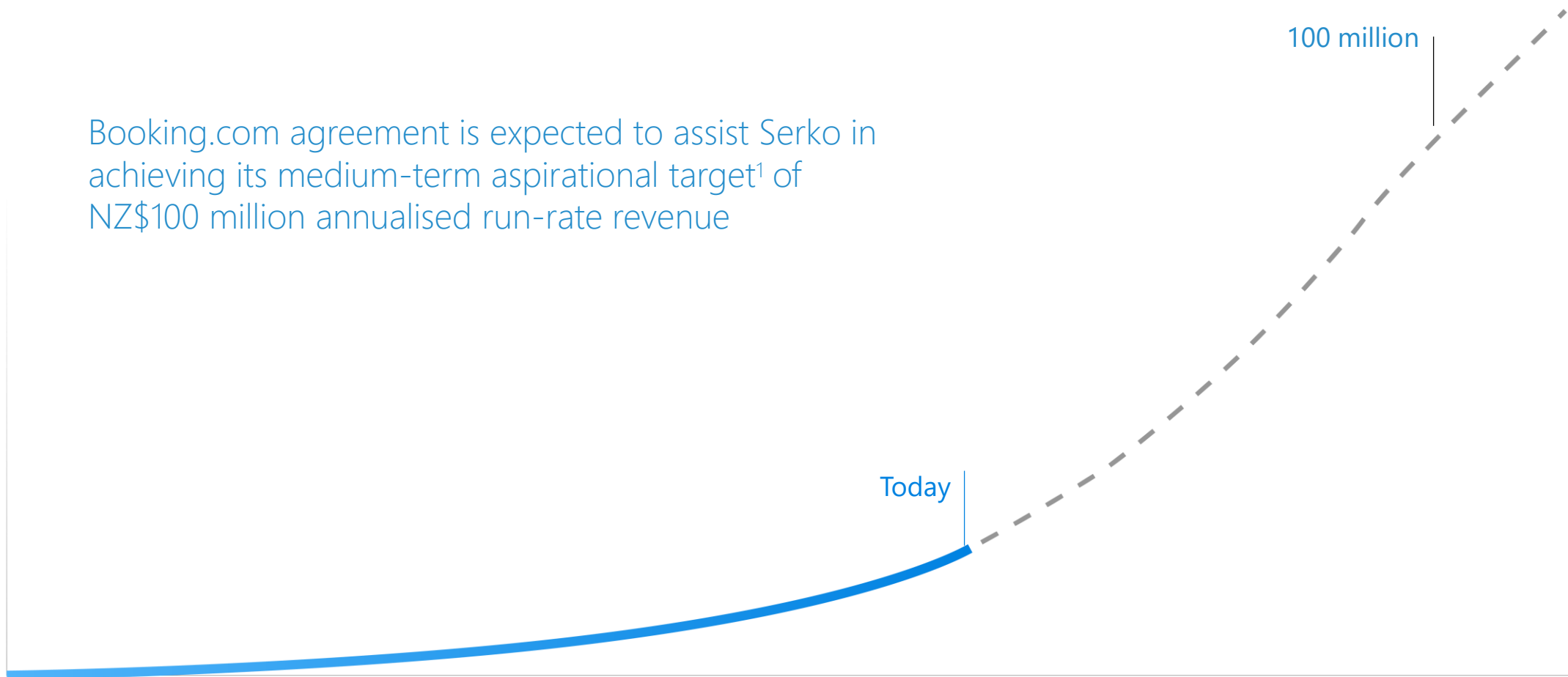


ARB : Average Revenue Per Booking is a non-GAAP measure.

SERKO STRATEGIC GOAL

\$100 MILLION PER ANNUM

Booking.com agreement is expected to assist Serko in achieving its medium-term aspirational target¹ of NZ\$100 million annualised run-rate revenue



¹ Announced at its recent 2019 Annual Meeting

AGREEMENT WITH BOOKING.COM

- As announced on 24 October 2019, concurrent with Booking Holdings' cornerstone investment in Serko, Booking.com has signed commitments to expand its existing agreement with Serko, so that Booking.com can offer and promote Serko Zeno to its business traveller customers.
- The expanded agreement is expected to help advance each of our strategic objectives:
 - Offer premium, integrated global solutions
 - Expand into new territories through strategic alliances and reach the unserved SME market
 - Grow ARPB by offering increased content and moving customers to Serko Zeno
- 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.
- The expanded agreement is not expected to have a material impact on Serko's revenues in the current financial year to 31 March 2020, due to the phased development work required and a performance-based rollout plan for Booking.com's global business traveller customers. If achieved, as anticipated, during the 2020 calendar year, the expanded agreement is expected to result in a material uplift in Serko's revenue (via increased Average Revenue Per Booking and transaction booking revenue) in the 2021 financial year and beyond; and is expected to assist Serko in achieving its medium-term aspirational target of NZ\$100 million of annualised run-rate revenue.

OTHER STRATEGIC UPDATES

- Total travel corporate customers (Serko Online and Zeno) grew by a net 327 over the period. Zeno transaction volumes increased 200% over the same period last year, and over 1,300 corporate customers transacted on Zeno during the six month period to 30 September 2019. Zeno transaction volumes represented 13% of Online bookings at September 2019. This has grown to over 15% in October. Total bookings for October, if annualised by multiplying by 12 months, exceeded 5m bookings.
- We have invested heavily in the Serko Zeno platform for expansion into the North American markets during the period. Serko now has live bookings in North America following beta release in September 2019. We expect transactions to gradually increase over the remainder of the financial year with the continued onboarding of new corporates, as signed Travel Management Companies (TMCs) complete their user acceptance testing and progress to pilot customers. ZS Associates through Luxe Travel Management have now also commenced using Zeno. Luxe Travel Management are part of the Radius Travel buying group. This agreement allows other TMC resellers within the Radius group to access Zeno.
- UK markets, while not material to the period, continue to grow. Investment continues in Europe, however, at a slower rate than anticipated due to prioritisation of the NORAM market roll-out. It is intended that a portion of the proceeds of the capital raising announced in October will be used to accelerate development of the European market.
- As disclosed in the capital raise, Serko is currently in advanced commercial discussions with a global payments provider to provide a white label version of Zeno to its SME customers, initially in Australasia, with the potential to offer in additional geographies in the future. Commercial arrangements are currently under negotiation and have not yet been entered into.
- Serko also continues to invest in NDC¹. The expansion of content and ancillary offerings through NDC offers new revenue stream opportunities through Serko Zeno. Serko has committed to support NDC via both direct connection and GDS, and has announced NDC partnerships with Qantas, Air Canada, Southwest Airlines and ATPCO's NDC Exchange in the past 12 months. Serko Zeno is now live with end-to-end NDC booking capability through the Qantas Distribution Platform (QDP), following a successful pilot with launch partner CT Connections.

¹ NDC (New Distribution Capability) is a travel industry-supported program launched by IATA for the development and market adoption of a new, XML-based data transmission standard that enhances the capability of communications between airlines, travel agents and aggregators.

The background is a high-angle, blue-tinted aerial photograph of a dense urban skyline, featuring numerous skyscrapers. Two large, thin white curved lines are overlaid on the image, one in the upper right and one in the lower left, framing the central text.

Outlook Statement

serko

FY20 OUTLOOK



- Total Operating Revenue Growth for the full year is expected to be in the range of 20%-40%. However, currency fluctuations and the timing of customer onboarding will be key factors in determining the final result, as previously advised to the market.
- In Australasia, growth in 'same corporate' bookings has softened over the past few months, which we attribute to a general slowdown in the Australian and New Zealand economies and declining business confidence. Despite this, Serko has grown corporate customers by 327 over the half and this user growth has offset the impact on Serko's total revenue growth. We continue to focus on global expansion and this will assist Serko to mitigate any local market slow down. The impact of these trends continues to be monitored.
- The cash balance at 30 September 2019 was \$10.3 million, which represented cash burn for the period of \$5.5 million. Cash burn is expected to continue for the second half as development is accelerated for new market expansion. Cash balances at 31 October, post the primary capital raise were \$48.6 million. A further \$5 million is expected to be raised via the recent Share Purchase Plan, which closed last week.
- Serko now has live bookings in North America following beta release last month. We expect transactions to grow in the second half of the financial year with continued onboarding of new corporates as signed Travel Management Companies complete user acceptance testing and progress to pilot customers. The timing of the uptake is unknown and subject to variables. Continued development of additional local content is expected to further increase bookings and support the migration of additional corporates.
- European markets are not expected to contribute materially in FY20 (due to the prioritisation of the NORAM market roll-out). However, a portion of the proceeds of the recent capital raising will be used to accelerate development of the European market, which will result in increased FY21 revenue.

The background is a blue-tinted aerial photograph of a city skyline, featuring numerous skyscrapers. Two large, white, curved lines are overlaid on the image: one starts from the bottom left and curves towards the center, and the other starts from the top right and curves towards the center, creating a frame-like effect.

Q&A

serko



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.

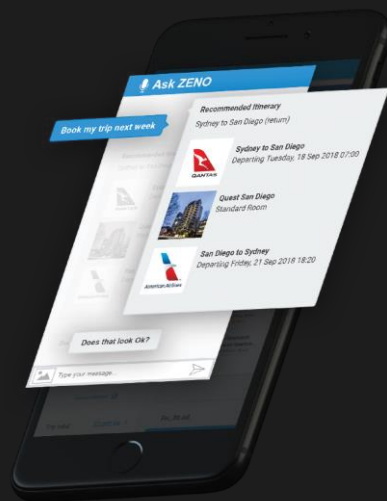
Serko employs around 200 people worldwide with its HQ in New Zealand, and offices across Australia, the U.S. and China

SERKO PRODUCTS



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	2019
	\$'000
Travel platform booking revenue	15,948
Expense platform revenue	2,710
Supplier commissions revenue	1,538
Other revenue	467
Recurring Product Revenue	20,663
Percentage of total revenue	89%
Services revenue	2,698
Total Revenue	23,361

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 earns other miscellaneous revenue such as mobile licenses

Additional Services

\$

Services Revenue

Paid customisation, marketplace integration or implementation assistance

PERFORMANCE DASHBOARD – Full Year FY19

FY19 VS FY18

PROFIT (LOSS)

\$1.6m

NET PROFIT
AFTER TAX

\$2.6m

EBITDAF¹
up 19% over prior
year

REVENUE

28%

↑ INCREASE

OPERATING
REVENUE

\$23.4m

Operating revenue
from core products
plus services revenue

26%

↑ INCREASE

RECURRING
REVENUE²

\$20.7m

Recurring revenue
(core product
revenue only)
89% of total
operating revenue

28%

↑ INCREASE

TOTAL
INCOME

\$24.6m

Total income from all
sources including
grants

ACTIVITY

41%

↑ INCREASE

PEAK ATMR³

\$26m

Indicator of future
growth potential
based on current
trading

17%

↑ INCREASE

ONLINE
BOOKINGS

4.14m

Travel platform
bookings

COSTS

87%

↑ INCREASE

R&D COSTS⁴

\$9.2m

39% of Revenue
Opex \$2.4m
Capex \$6.7m

32%

↑ INCREASE

OPERATING
EXPENSES

\$23.3m

Net FTE⁵ increase in
the year of 67

HISTORIC MEASURES for financial years (31 March)

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

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

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 (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).
- 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

serko