

**Market Release**

24 June 2020

**FY20 Full Year Results Announcement**

Serko Limited (NZX/ASX: SKO) today announces its results for the year ended 31 March 2020.

Please find attached the following documents:

- Market Release
- Results Announcement (NZX Appendix 2)
- Investor Presentation
- Annual Report (*released separately*)
- ESG Report (including Corporate Governance Statement) (*released separately*)

These documents will also be made available on: [www.serko.com/investor-centre/](http://www.serko.com/investor-centre/)

The full-year results will be discussed on a conference call at 11.30am today:

Conference code: 933596

NZ Toll Free: 0800 423 972

Australia Toll Free: 1 800 590 693

For and on behalf of Serko Limited by Susan Putt

ENDS

**For more information:**

Susan Putt

Chief Financial Officer

Serko

+64 9 309 4754

## Market Release

24 June 2020

### Audited Financial Results for the Year Ending 31 March 2020

Corporate travel and expense management leader Serko (NZX/ASX:SKO) today reported its results for the financial year ended 31 March 2020.

Ms Batten, Serko Acting Chair, said: "The first three quarters of the financial year ended 31 March 2020 were characterised by monthly revenue growth and the achievement of a number of key milestones. However, Serko's performance was impacted in the fourth quarter of the financial year as the Covid-19 pandemic became widespread, significantly affecting booking volumes. This resulted in an adverse impact on the full-year result."

"Government responses to the pandemic worldwide, including lockdowns and the suspension of all non-essential travel, continue to have a material adverse effect on booking transaction volumes on Serko's online travel booking platforms, which generate the majority of Serko's revenue."

"Clear evidence of a pattern of declining booking activity became apparent in mid-February 2020 and this was followed by a precipitous decline in March 2020 as lockdown measures were implemented. At its lowest point during the financial year in March 2020, daily booking volumes were down in excess of 90% compared to similar days in March 2019.

"In response to the operational and economic impacts of Covid-19, Serko has reduced cash burn and re-prioritised strategic initiatives to position the business for the materially changed operating environment. The implementation of these initiatives was largely undertaken after the balance date.

"It should, however, be noted that Serko has carefully chosen to retain resource and capacity on key growth initiatives to ensure we are well positioned to participate in the recovery of corporate travel", said Ms Batten.

The Serko Board has exercised judgement on a number of important areas in the Income Statement and Statement of Financial Position and we draw your attention to the commentary in this release, the Financial Statements themselves and the Notes to the Financial Statements for more detailed explanations.

#### Summary of FY20 Performance:

- Total Operating Revenue<sup>1</sup> rose 11% to \$25.9 million, up \$2.5 million from the prior year.
- Recurring Product Revenues<sup>2</sup> rose 16% to \$24.1 million and Total Income (including grants) increased 9% to \$26.8 million.
- Travel booking transactions grew 2% on the previous year.
- Peak Annualised Transactional Monthly Revenue (ATMR)<sup>3</sup> at the end of February 2020 (historically the month with the highest average daily transaction volume) was up 6% to \$27.5 million from \$26.0 million in February 2019, and subsequently materially declined in March 2020.
- Total Operating expenses<sup>4</sup> increased by 59% to \$37.1 million, reflecting investment for our planned international expansion, including a net increase of 60 people.
- Research & Development (R&D)<sup>5</sup> costs increased by 48% to \$13.6 million representing the significant investment in platform development for expansion into new markets and the delivery of

white-label platforms. Of the \$13.6 million of R&D costs, Serko capitalised \$11.0 million, up \$4.2 million from the prior year.

- Net loss after tax for the year was \$9.4 million, due to increased operating expenses.
- EBITDA<sup>6</sup> declined \$8.7 million to a loss of \$6.1 million, down from \$2.6 million profit in the prior year.
- Cash balances of \$42.4 million as at 31 March 2020 included the net funds received from the 2019 capital raise of \$43.2 million. Cash burn for the year was \$16.5 million.

#### Other notable developments during FY20:

During the financial year, Serko entered into an agreement with Booking.com to supply a 'white-label' version of our Zeno booking tool for Booking.com, targeting its business customer base internationally. The 'Booking.com for Business' version of Zeno is currently in pilot phase and is expected to be rolled out to additional Northern Hemisphere markets following achievement of agreed performance targets.

Booking Holdings (owner of Booking.com) also participated in Serko's successful oversubscribed capital raising of \$45 million (\$43.2 million net of costs), completed in late 2019.

Ms Batten said: "This capital raise was intended to provide funding for Serko's planned expansion into new markets. Although we did not anticipate an event as catastrophic as Covid-19, the Serko Board has always maintained a prudent approach to balance sheet management. By raising additional capital, the company's strong cash position has provided a comfortable level of liquidity that meant we have had no requirement to raise capital in distressed circumstances."

"This has allowed us to maintain our operating capacity and retain our key people to best position Serko when travel volumes recover."

"We have however responded to the decline in activity and the uncertainty of the future environment by reducing costs across all expense categories to target a maximum cash burn average of no more than \$2 million per month."

#### SUMMARY FINANCIAL RESULTS

##### Revenue:

Total Operating Revenue for the year to 31 March 2020 rose 11% to \$25.9 million from \$23.4 million in the same period a year ago, substantially lower than our initial guidance range of 20%-40% for the year. We revised revenue expectations to the low end of the range on 25 February 2020 and then abandoned guidance completely on the 16 March 2020, in both cases due to the effects of Covid-19.

Under IFRS15 (Revenue from Contracts) Serko records revenue from its portfolio of contracts with reference to actual transactions, forecast transactions and minimum contracted commitments. Serko has agreed to a number of changes to contracts as a result of the impact of Covid-19 on the entire industry, this includes changes to schedules of contracted minimum revenues. This has had the effect of reducing the revenue that Serko expected to record in the current year. The Board has also made decisions with respect to Expected Credit Losses (IFRS9) that reflect the prevailing level of uncertainty in the travel industry.

Total income from all sources for the year to 31 March 2020 was up 9% to \$26.8 million from \$24.6 million in the prior year.

Recurring Product Revenues increased 16% during the year, lifted by a full year contribution from InterplX and organic business growth prior to the Covid-19 outbreak. Peak ATMR at the end of February 2020, historically a forward-looking indicator of recurring revenues, stood at \$27.5 million up over 14% from a peak of \$26.0

million in the same period of the prior year. By the end of March ATMR had fallen to \$15 million based on the drop that occurred within the month, ending the year with travel booking revenues up only 2% to \$16.3 million from \$15.9 million in the prior year. Subsequently ATMR has dropped further post year-end.

Serko Expense platform revenues were up 115% to \$5.8 million for the financial year from \$2.7 million reflecting the full year contribution of the InterplX acquisition of \$3.7 million versus \$0.9 million for a single quarter for FY19. Excluding InterplX, Serko Expense platform revenues were up 16% at \$2.1 million from \$1.8 million the prior year.

Services revenue and grant income were down 33% on the same period a year ago, reduced to \$1.8 million due to Serko's development resources being directed toward product development for new markets. Supplier commissions revenues declined marginally by \$111,000 (7%) to \$1.4 million.

#### **Expenses and Investment Activity:**

Operating costs increased 59% to \$37.1 million reflecting a full-year of InterplX operating costs and the scale-up of our international presence. Costs included \$4.7 million non-cash costs relating primarily to depreciation, amortisation, final fair-value adjustment related to the issue of the final tranche of Serko shares for the InterplX acquisition and share based payments.

Serko has capitalised \$11 million of development costs for FY20, compared to \$6.7 million in FY19. Total R&D at \$13.6 million was 53% of net operating income compared to 39% in the prior year. Although there remains considerable uncertainty as to the future operating environment, the Serko Board remains of the view that this investment will produce an acceptable commercial return in the future.

#### **Cash flow and Cash Balance:**

Serko remains well funded following the completion of an oversubscribed capital raise of \$45 million in November 2019, with cash balances up from \$15.7 million in the prior year. Net funds received after capital raising costs were \$43.2 million. Excluding these funds, Serko's net cash burn for the year, including capitalised development, was \$16.5 million. Cash balances at 31 March 2020 were \$42.4 million.

#### **Earnings:**

Net loss after tax for the year was \$9.4 million, down from an FY19 profit of \$1.6 million and EBITDAF fell to a loss of \$6.1 million from a profit of \$2.6 million in the same period a year ago.

#### **AUSTRALASIAN MARKET UPDATE**

The New Zealand and Australian markets together generated a majority of total bookings on our platform, and travel booking revenues, during the financial year. The majority of these transactions were domestic bookings.

During the financial year we achieved year-on-year booking growth each month through to February 2020. This was despite softer economic conditions in Australia in the first half, followed by the Australian bushfires negatively impacting corporate travel. Serko continued to grow customer numbers during the financial year with the number of corporates transacting through the travel platforms increasing by over 700 (comparing February 2020 to February 2019).

We also saw a significant transition to the premium Zeno product from Serko Online during the period. Zeno was carrying approximately 25% of transactions across our platforms at the end of the financial year up from approximately 6% of transactions at the beginning of the year.

Zeno is now being used by 42% of corporate customers in Australia and New Zealand, up from 9% at the beginning of the year.

In February a peak of over 24,000 bookings were processed in a single day (up from a peak of 21,000 in the same month in the prior year). However, with the gradual decline in bookings becoming evident in mid-February, and the subsequent rapid decline in March 2020, total bookings for the entire financial year were up only 2% over the prior year.

#### *Impacts of Covid-19*

The Covid-19 pandemic and related travel restrictions resulted in an observable declining trend in February followed by a dramatic reduction in March 2020. By the end of March 2020, daily transaction volumes had declined by ~90% compared to the equivalent days in March 2019.

We currently believe that the Australian and New Zealand domestic and trans-Tasman travel markets, which presently generate most of our revenue, are poised to recover more quickly than international routes outside of Australasia.

Travel volumes have gradually started to recover in May 2020 with the easing of domestic travel restrictions in New Zealand. We are yet to see any material increase in domestic travel in Australia due to the significant travel restrictions that remain in place. Essential travel in Australia has, however, continued and we continue to manage a small number of Australian transactions across our platforms.

During the first three weeks of June 2020, over 3,200 corporate customers have made a travel booking as New Zealand moved down to Level 1 restrictions. This has resulted in daily booking volumes on Serko's platforms steadily increasing in June 2020 to about 25% of the daily booking volumes in June 2019 (from a low of 9% in April).

Although the outlook is highly uncertain we anticipate our core Australasian markets will be operating at 40% - 70% of their pre-Covid-19 activity levels by March 2021. Beyond that we are taking a conservative approach to growth as most industry reports indicate a slow, and largely unpredictable, return to full pre-Covid-19 activity levels.

We have been working proactively with our travel management partners to support their recovery. In some instances this has required amendment of contractual obligations that has adversely impacted our previously noted FY20 revenue recognition.

## **NORTH AMERICAN & EUROPEAN EXPANSION UPDATE**

### *North America*

During the financial year we invested heavily in our Zeno platform for expansion into North America. Transactions commenced in this market following the transition of several travel management resellers from pilot phase to onboarding their first corporate customers. As expected, revenue numbers from this market were not significant for the financial year.

Travel management reseller onboarding slowed materially in the last quarter due to the impact of Covid-19 and we expect further corporate onboarding to be slow until travel resumes in that market.

Transactions have effectively ceased due to the lockdown restrictions in this market.

Despite the impacts of Covid-19, Serko has signed an additional three resellers since 31 March 2020. Development work will continue in the market, expanding local air, rail and hotel content as well as completing reseller integrations to support the migration of additional corporates on to our platforms.

#### *United Kingdom & Europe*

In the United Kingdom and Europe we have been undertaking the development work required for the launch of 'Booking.com for Business', a white label version of Zeno to be offered internationally to Booking.com's small and medium-sized enterprise (SME) customers.

The impacts of Covid-19 delayed the beta-launch of 'Booking.com for Business' from March 2020 to May 2020. However, initial bookings have been completed in the United Kingdom and Ireland and the roll-out in these two markets will continue for most of FY21. Additional key markets will be developed and 'localised' (e.g. for content and language) as we progressively roll-out the solution across Europe.

#### *Impacts of Covid-19*

Serko's business plans in North America and Europe are not contingent on the revival of long-haul international travel. In excess of 95% of the revenue opportunities we were pursuing prior to the pandemic were domestic or intra-regional bookings and the total addressable market remains significant.

Domestic travel in the United States (US), and domestic and cross-border intra-regional travel to nearby countries within Europe, are expected to be the first segments of these travel markets to recover post-Covid-19.

### **SERKO EXPENSE PLATFORM INITIATIVES**

As noted above, the Serko Expense platform has provided solid revenue growth during the financial year and represents an important diversification from travel revenues for Serko.

In North America the development work required to bring the InterplX expense platform in-line with the Zeno user experience continues and we expect to launch the new Zeno Expense offering in Q3 FY21, bringing greater scalability and a richer set of features to our combined Travel & Expense offering.

In Australasia a direct marketing campaign and activation of a reseller incentive programme across our travel management company partners, along with the introduction of a rapid implementation programme that materially reduces our set-up time to onboard new accounts, is resulting in an increased pipeline of Serko Expense platform opportunities.

### **COST MANAGEMENT INITIATIVES IN RESPONSE TO COVID-19**

Our immediate response to the Covid-19 pandemic was to introduce measures to look after our people. All business travel was halted. We moved to working from home and enforced rigorous social distancing for the few who needed to be in our offices.

These initiatives were rapidly followed by a cost reduction programme designed to preserve our strong cash balance position and target an average cash burn rate of no more than \$2 million per month through to the end of FY21. We balanced cost savings with investment in core areas to maintain our capability to deliver on our key growth initiatives.

This cost reduction programme saw the removal of non-essential expenditure, scaled down operating expenses (such as cost of sales and hosting), as well as the rationalisation of our contractor resources (including the conversion of some of this resource to full-time employment). Serko has aimed to keep as many people employed during this period as possible, as we recognise the personal impact to employees if they were to lose their jobs and the cost to the business of losing skilled people, especially as our ambition to grow in new markets remains undiminished.

We acknowledge and thank the various Government programmes and subsidy schemes that have assisted in the retention of our people during this challenging period. We accessed \$1.6 million of Government-backed Covid-19 relief schemes to date across the countries in which Serko operates, including receipt of \$871,670 in salary subsidies from the New Zealand Government.

In addition, employees agreed to take a salary reduction for three months from May 2020, and the non-executive directors agreed to either take a reduction in their directors' fees or receive a portion of their directors' fees in shares for the first three months of FY21.

## BUSINESS TRAVEL OUTLOOK

The rate of return to business travel will vary by region and type of trip (i.e. domestic, regional, long-haul international). Volumes are very difficult to model. Travel Management resellers are operating with fewer human resources, creating opportunities for automation and technology solutions. Additionally, we are seeing greater cost management by corporations and a focus on traveller wellbeing, duty of care obligations and change management. We are actively assessing changes in corporate and traveller needs to ensure that we can support the market, our customers and our growth as the industry recovers.

## FY21 OUTLOOK

We consider the business is well positioned for growth when trading conditions improve and the travel industry starts to recover:

- We occupy a strong market position in Australasia, with the majority of our transactions being domestic and Trans-Tasman in our home markets. There remains a pipeline of new customers to be onboarded from our existing reseller partners.
- We are focussing predominantly on domestic travel within North America, where we continue to add resellers to our platform and continue development work to localise content in that region.
- 'Booking.com for Business' white-label is now live in the United Kingdom and Ireland, and our agreement with Booking.com presents an opportunity to continue to expand use of the Zeno booking tool internationally.
- We have a strong balance sheet and ongoing commitment to investment, which will benefit existing and prospective customers.
- We have retained resource and capacity on key growth initiatives.



We believe these factors position us well to continue to prosper in our home markets and to roll-out our products globally as confidence returns to corporate travel markets.

Timing, however, remains uncertain. As a result, we are unable to forecast our likely operating revenue for the 2021 financial year with any certainty.

As at 31 May 2020, Serko had net cash and cash equivalents of \$39.9 million. We believe these cash resources, at the current rate of cash burn, will be sufficient to see the company through to cash flow breakeven again should our anticipated recovery scenario be achieved.

We will continue our rigorous focus on cash flow throughout the remainder of FY21, targeting an average monthly cash burn of no more than \$2 million per month, to conserve cash reserves.

Notes:

Non-GAAP (generally accepted accounting practices) financial measures do not have standardised meanings 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 the auditors. Non-GAAP measures are used by management to monitor the business and are useful to provide information to investors to assess business performance. A reconciliation of Net Profit to EBITDAF can be found in the Annual Report and Investor Presentation dated the same date as this announcement.

<sup>1</sup> Total Operating Revenue (a Non-GAAP measure) is revenue excluding income from grants and finance income, while Total Income includes grants.

<sup>2</sup> 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).

<sup>3</sup> Peak ATMR is a Non-GAAP measure representing Annualised Transactional Monthly Revenue. Serko uses this as a useful indicator of recurring revenues from Serko products, based on the monthly transactions and average revenue per booking (for its travel platform revenue) and monthly active user charges (for its expense platform revenue). This is calculated on an annualised basis on a constant currency basis based on the daily weekday average multiplied by standard 260 weekdays in a year. Peak ATMR month was February for both 2019 and 2020 financial years. ATMR has subsequently been materially adversely affected following the impacts of Covid-19.

<sup>5</sup> Research & Development (R&D) costs is a non-GAAP measure representing the internal and external costs related to R&D both expensed and capitalised.

<sup>4</sup> Operating expenses is a Non-GAAP measure which excludes costs relating to taxation, interest, depreciation, and amortisation charges.

<sup>6</sup> EBITDAF is a Non-GAAP measure representing Earnings Before the deduction of costs relating to Interest, Taxation, Depreciation, Amortisation and Fair value remeasurement on contingent consideration. Serko uses this as a useful indicator of cash profitability.

Note: all dollar amounts are New Zealand dollars unless otherwise stated.

For and on behalf of Serko Limited by the Board.

Ends

For investor relations queries please contact:

Susan Putt

Chief Financial Officer

Serko +64 21 388 009

[investor.relations@serko.com](mailto:investor.relations@serko.com)

About Serko





Serko is a market leading travel and expense technology solution in Australasia, used by over 6,800 corporate entities. 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, and the U.S. Visit [www.serko.com](http://www.serko.com) for more information.

<b>Results for announcement to the market</b>		
Name of issuer	Serko Limited	
Reporting Period	12 months to 31 March 2020	
Previous Reporting Period	12 months to 31 March 2019	
Currency	NZD	
	<b>Amount (000s)</b>	<b>Percentage change</b>
Revenue from continuing operations	26,791	9%
Total Revenue	26,791	9%
Net profit/(loss) from continuing operations	(9,364)	-673%
Total net profit/(loss)	(9,364)	-673%
<b>Interim/Final Dividend</b>		
Amount per Quoted Equity Security	No dividends have been paid on ordinary shares and it is currently not proposed to pay dividends.	
Imputed amount per Quoted Equity Security	Not Applicable	
Record Date	Not Applicable	
Dividend Payment Date	Not Applicable	
	<b>Current period</b>	<b>Prior comparable period</b>
Net tangible assets per Quoted Equity Security	\$0.47	\$0.19
A brief explanation of any of the figures above necessary to enable the figures to be understood	<p>This document should be read in conjunction with the audited consolidated financial statements contained in the Annual Report for the year ended 31 March 2020, and the Annual Report generally.</p> <p>The audited consolidated financial statements for the year ended 31 March 2020 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"). Further detail on the accounting policies adopted is set out in the notes to the financial statements.</p> <p>Net tangible assets per security increased due to cash on hand due to capital raise and higher level of capitalisation of internally</p>	

	<p>developed software. Refer to the Annual Report, management commentary on research and development costs.</p> <p>For additional commentary on the results, please refer to the Management Commentary in the Annual Report, and the Annual Report generally.</p> <p>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 can be found on Serko's website, at <a href="http://www.serko.com/investor-centre/">www.serko.com/investor-centre/</a>.</p>
<b>Authority for this announcement</b>	
Name of person authorised to make this announcement	Susan Putt
Contact person for this announcement	Susan Putt
Contact phone number	+64 21 388 009
Contact email address	<a href="mailto:investor.relations@serko.com">investor.relations@serko.com</a>
Date of release through MAP	24 June 2020

Audited financial statements accompany this announcement.



serko

FY20 Results Presentation

24 June 2020

---

# 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 Financial Statements and Annual Reports, market releases and information published on Serko's website ([www.serko.com](http://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, particularly as a result of the impacts of Covid-19;
  - 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.



# CEO Welcome

serko

# AGENDA

CEO  
Welcome

---

Covid-19:  
Serko's  
Response

---

Strategic  
Updates

---

Financial  
Summary

---

Outlook  
Statement

---

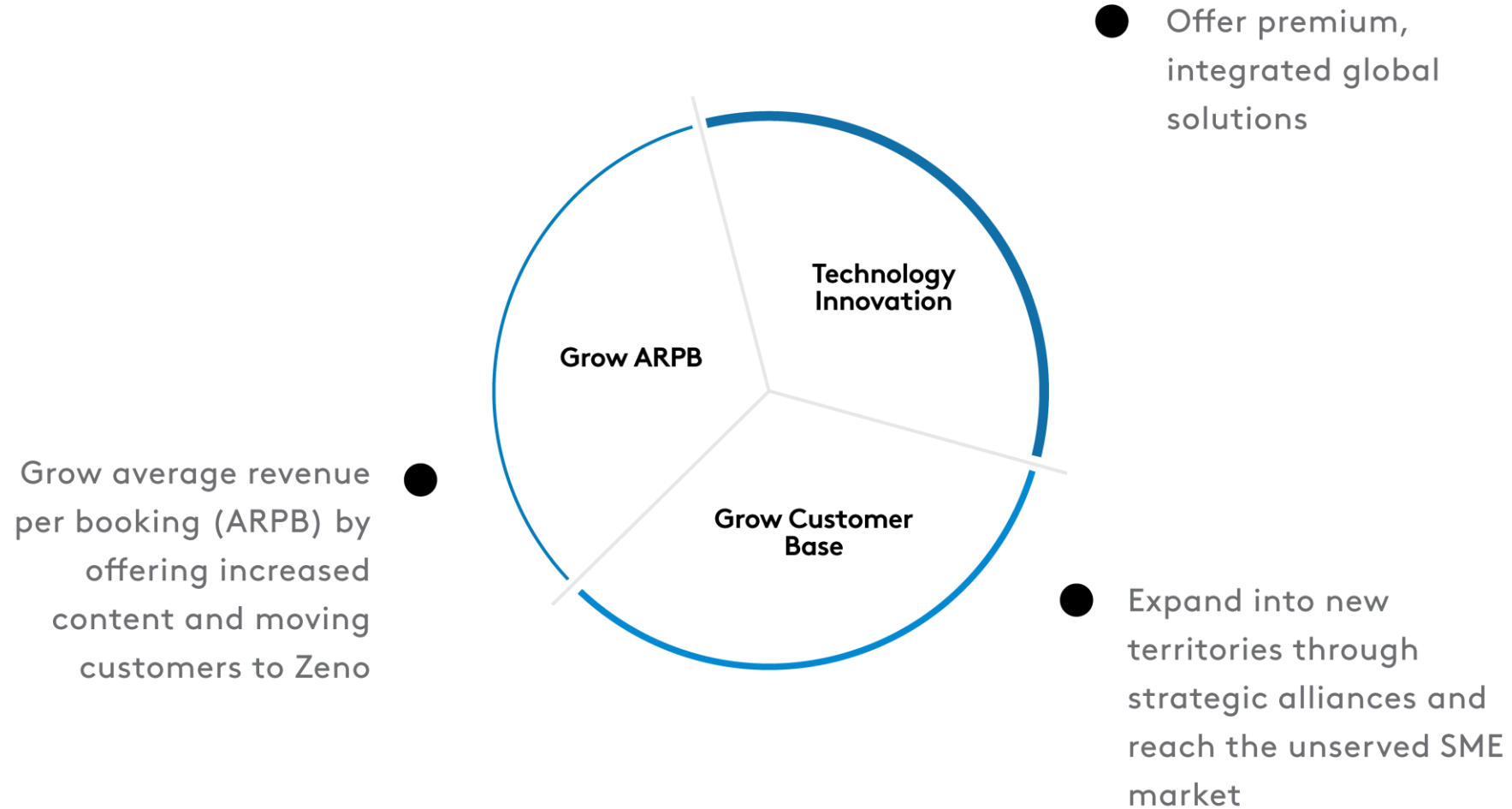
## COVID-19 : SERKO's RESPONSE

- For 11 months of the financial year ended 31 March 2020 Serko achieved monthly revenue growth over the prior year. However, in March transactions fell sharply as the Covid-19 pandemic became widespread.
- Serko responded by implementing strategies under the themes of "Survive, Optimise and Thrive";
  - *Took steps to ensure our people were safe and supported the transition to work from home*
  - *Reduced cash burn through cost reduction program*
  - *Retained resource and capacity on key growth initiatives*
  - *Re-prioritised strategic initiatives to re-position the business for the new operating environment*
- Booking volumes gradually started to recover in May2020, steadily increasing by June 2020 to about 25% of the daily booking volumes of June 2019.
- 3,200 corporate customers made a booking during the first three weeks of June 2020.
- Target average cash burn rate of no more than \$2 million per month to the end of FY21
- Cash reserves of \$42.4 million as of 31 March 2020 provides sufficient headroom based on current assumptions.

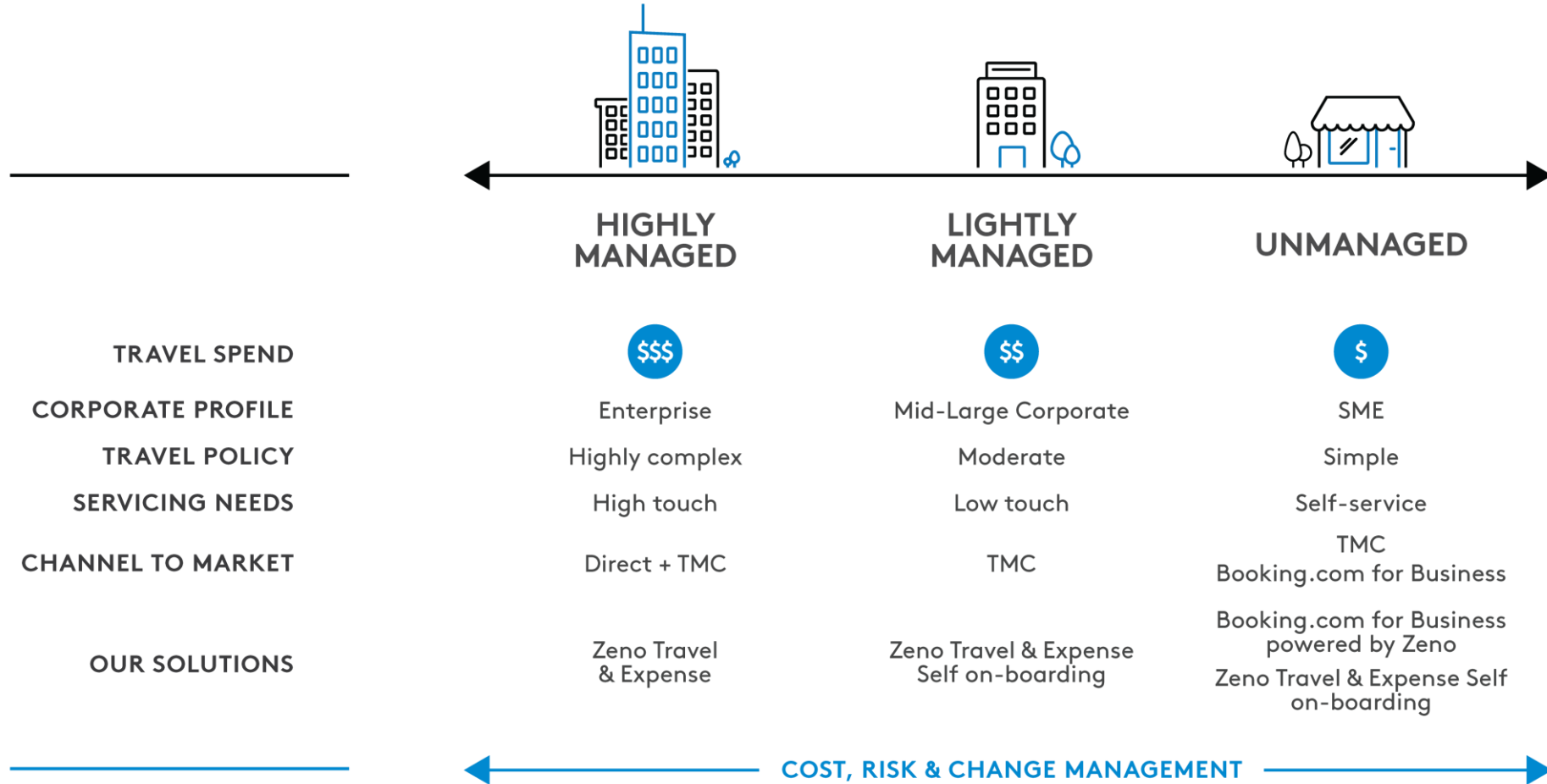


# Strategic Updates

# SERKO STRATEGY



# SUPPORTING THE FUTURE OF BUSINESS TRAVEL



---

## BOOKING.COM AGREEMENT

- As announced in October 2019, Booking Holdings' made a cornerstone investment in Serko and Booking.com expanded its existing agreement with Serko, so that Booking.com can offer and promote Zeno to its business traveller customers.
- 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.
- Zeno will be white-labeled as Booking.com for Business and the intention is to progressively roll this offering out to its business customer base internationally subject to Serko meeting prescribed performance criteria.
- Closed pilot of Zeno white-label solution for existing Booking.com for Business in the United Kingdom and Ireland has been launched.

# AUSTRALASIA MARKET UPDATE

- The majority of Serko's revenues came from Australia and New Zealand domestic bookings.
- Year on year booking growth each month through to February 2020. Peak of 24,000 bookings daily bookings in February 2020\*.
- Gradual decline in bookings in February, followed by sharp decline in March 2020.
- Total travel corporate customers (Serko Online and Zeno) grew by over 700 for the year to a total of approximately 6,800\*\*.
- Zeno transaction volumes grew to 25% of total bookings by March 2020, up from approximately 6% a year prior.
- In June 2020 42% of all transacting corporate customers were using Zeno.
- In response to Covid-19 a Serko Expense Express offering was launched in the Australian and New Zealand markets in March 2020 with a low-cost, rapid implementation solution that has resulted in an increased pipeline of expense opportunities.

\*Note: Bookings have subsequently materially reduced as a result of Covid-19

\*\* Comparing February 2019 and February 2020

---

## NORTH AMERICA MARKET UPDATE

- We have invested heavily in the Serko Zeno platform for expansion into the North American markets during the year.
- Serko had its first live bookings in North America following beta release in September 2019, but in line with our expectations revenue from this market was not significant for the year.
- Some Travel Management Company resellers were completing their user acceptance testing when Covid-19 hit in February and onboarding progress has slowed.
- Transactions effectively ceased due to lockdown restrictions in market.
- Since March we have added three new Travel Management Company resellers and are in the process of activating these partners.
- Signed Zeno Expense reseller partnership with buying group Omnia Partners and joined the Oracle NetSuite SuiteApp partner program.



# FY20 Financial Summary

serko

# PERFORMANCE DASHBOARD – FY20

FY20 VS FY19

## PROFIT (LOSS)

**(\$9.4m)**

NET LOSS AFTER TAX

**\$(6.1m)**

EBITDAF<sup>1</sup> loss

## REVENUE

**11%**

↑ INCREASE

OPERATING REVENUE

**\$25.9m**

Operating revenue from core products plus services revenue

**16%**

↑ INCREASE

RECURRING REVENUE<sup>2</sup>

**\$24.1m**

Recurring revenue (core product revenue only)  
93% of total operating revenue

**9%**

↑ INCREASE

TOTAL INCOME

**\$26.8m**

Total income from all sources including grants

## ACTIVITY

**6%**

↑ INCREASE

PEAK ATMR<sup>3</sup>

**\$27.5m\***

Indicator of future growth potential based on current trading

**2%**

↑ INCREASE

TRAVEL BOOKINGS

**4.2m**

Travel platform bookings for the period

## COSTS

**48%**

↑ INCREASE

R&D COSTS<sup>4</sup>

**\$13.6m**

53% of Revenue  
Opex \$2.6m  
Capex \$11.0m

**59%**

↑ INCREASE

OPERATING EXPENSES

**\$37.1m**

Net FTE<sup>5</sup> increase in the period of 60 to 233 employees

Notes 1 – 5: Refer to Appendix for definitions.

\*Note: ATMR has subsequently reduced materially as a result of Covid-19



# NET PROFIT SUMMARY/ EBITDAF RECONCILIATION

- Revenue of \$25.9m up 11% (Slide 15)
- Total income (including grants) up 9% to \$26.8m
- Operating expenses of \$37.1m up 59% (Slide 16)
- EBITDAF loss of (\$6.1m) versus profit of \$2.6m in prior year
- Net loss for the period of (\$9.4m) includes:
  - Depreciation and amortisation of \$3.2m includes \$1.0m being depreciation on right of use assets (leased premises)
  - Non-cash fair value adjustment relating to contingent consideration of \$1.1m for InterplX acquisition with the final tranche of shares issued in February 2020
  - Net finance income primarily related to interest income (\$0.4m) and foreign exchange gains (\$0.7m)

Net Profit Summary EBITDAF Reconciliation	FY20	FY19	change	change
	\$000	\$000	\$000	%
Revenue	25,869	23,361	2,508	11%
Other income (including grants)	922	1,215	(293)	-24%
Total income	26,791	24,576	2,215	9%
Operating expenses	(37,092)	(23,320)	(13,772)	-59%
Percentage of operating revenue	-143%	-100%		
Net finance income	975	290	685	236%
Net profit before tax	(9,326)	1,546	(10,872)	-703%
Percentage of operating revenue	-36%	7%		
Income tax (expense)/benefit	(38)	87	(125)	-144%
<b>Net (loss)/profit after tax</b>	<b>(9,364)</b>	<b>1,633</b>	<b>(10,997)</b>	<b>-673%</b>
Add back (deduct): income tax expense (benefit)	38	(87)	125	-144%
Add back (deduct): net finance (income)/expenses	(975)	(290)	(685)	236%
Add back: depreciation and amortisation <sup>1</sup>	3,156	1,048	2,108	201%
Add back: fair value measurement <sup>2</sup>	1,056	287	769	268%
<b>EBITDAF</b>	<b>(6,089)</b>	<b>2,591</b>	<b>(8,680)</b>	<b>-335%</b>
EBITDAF margin	-24%	11%		

<sup>1</sup> Depreciation includes building rental costs of \$1.0 million which have been reclassified as Right of Use Assets and depreciated under IFRS16 (Leases) adoption

<sup>2</sup> Fair value remeasurement of contingent consideration on deferred consideration for InterplX acquisition added to EBITDAF as non-cash expense

# REVENUE ANALYSIS

- Recurring revenue (excluding Services revenue) at \$24.1m up 16%; 93% of total operating revenue.
- Travel platform booking revenue up 2% was Covid impacted during Q4
  - Travel platform total bookings at 4.2m versus 4.1m in the prior year, up 2%
  - Online transactions down at 3.72m vs 3.74m in the prior year
  - Covid impact on Travel platform revenue: IFRS15 adverse minimum revenue adjustments due to declining forecasts for remainder of contracts**
  - Serko Expense platform revenue at \$5.8m up 115%, includes full year contribution from the Dec 2018 InterplX acquisition of \$3.7m (3 months FY19: \$0.9m). Expense revenue related to Serko Expense at \$2.1m up 16%.
- Supplier commissions revenue down marginally against prior year at \$1.4m.
- Services revenue at \$1.8m down on prior year as development resources focused on NORAM activation and Booking.com for Business platform.
- Average Revenue per Booking (based on total recurring revenue/total online bookings) for the year was \$6.46 up 17% from \$5.52 in prior year, primarily attributable to InterplX.

## Revenue and Other Income by Type

	FY20	FY19	change	change
	\$000	\$000	\$000	%
Travel platform booking revenue	16,307	15,948	359	2%
Expense platform revenue	5,831	2,710	3,121	115%
Supplier commissions revenue	1,427	1,538	(111)	-7%
Other revenue	485	467	18	4%
Recurring revenue	24,050	20,663	3,387	16%
Recurring revenue % operating revenue	93%	89%		
Services revenue	1,819	2,698	(879)	-33%
<b>Total revenue</b>	<b>25,869</b>	<b>23,361</b>	<b>2,508</b>	<b>11%</b>
Government grants	922	1,208	(286)	-24%
Sundry income	-	7	(7)	-100%
Total other income	922	1,215	(293)	-24%
<b>Total income</b>	<b>26,791</b>	<b>24,576</b>	<b>2,215</b>	<b>9%</b>

## Operating Revenue by Geography

Australia	18,218	19,335	(1,117)	-6%
New Zealand	2,465	2,343	122	5%
North America	4,823	1,471	3,352	228%
Other	363	212	151	71%
<b>Total operating revenue</b>	<b>25,869</b>	<b>23,361</b>	<b>2,508</b>	<b>11%</b>

## OPERATING EXPENSES/HEAD COUNT

- Operating Costs increased by 59% to \$37.1m, includes full year of InterplX and expansion costs.
- Remuneration and benefits increased 48% to \$19.4m (Head count increases –refer below).
- Selling and marketing increased \$1.3m primarily related to new third party connection charges introduced in AUS/NZ.
- Hosting expense of \$3.4m increased 74% primarily due to increased infrastructure for system stability and set up of data bases in new territories.
- Administration costs at \$10.3m increased 64% and includes increased charges for:
  - depreciation and amortisation increase of \$2.1m
  - computer licenses increase of \$0.7m
  - professional fees increase of \$0.5m
- Increase of 60 FTE\* - (FY19 increase 67).
- Subsequent to year-end employee count has increased to 240

Operating Expenses	FY20 \$000	FY19 \$000	change \$000	change %
Selling and marketing	2,989	1,691	1,298	77%
Hosting expense	3,362	1,931	1,431	74%
Remuneration and benefits	19,419	13,135	6,284	48%
Administration expenses	10,266	6,276	3,990	64%
Fair value remeasurement	1,056	287	769	268%
<b>Total Operating Expense</b>	<b>37,092</b>	<b>23,320</b>	<b>13,772</b>	<b>59%</b>
Percentage of Operating Revenue	143%	100%		
Head count	FY20 \$000	FY19 \$000	change \$000	change %
Product development and maintenance	146	100	46	46%
Sales and marketing	18	16	2	13%
Customer support	52	40	12	30%
Administration	17	17	0	0%
<b>Total employee numbers at end of year (FTE*)</b>	<b>233</b>	<b>173</b>	<b>60</b>	<b>35%</b>

\*FTE (Full time equivalent)

## RESEARCH & DEVELOPMENT (R&D)

- Total R&D costs increased by \$4.4m (48%) over prior year to \$13.6m due to investment into market requirements for the Northern Hemisphere.

R&D Costs	FY20 \$000	FY19 \$000	change \$000	change %
Total R&D costs (including amounts capitalised)	13,606	9,165	4,441	48%
Percentage of operating revenue	53%	39%		
Less: capitalised product development costs	(11,013)	(6,740)	(4,273)	63%
Percentage of R&D costs	81%	74%		
Research costs (excluding amortisation of amounts previously capitalised)	2,593	2,425	168	7%
Percentage of operating revenue	10%	10%		
Less: Government grants relating to research	(683)	(810)	127	-16%
Add: Amortisation of capitalised development costs	1,705	754	951	126%
Net product development costs expensed	3,615	2,369	1,246	53%
Percentage of operating revenue	14%	10%		

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. It also covers research expenditure defined by NZ IAS 38.

# Outlook Statement

serko

## FY21 OUTLOOK

- The business is well positioned for growth when trading conditions improve and the travel industry starts to recover.
- Timing, however, remains uncertain. As a result, we are unable to forecast our likely operating revenue for the 2021 financial year with any certainty.
- We will continue our rigorous focus on cash flow throughout the remainder of FY21, targeting an average monthly cash burn of no more than \$2 million per month, to conserve cash reserves.
- As at 31 May 2020, Serko had net cash and cash equivalents of \$39.9 million. We believe these cash resources, at the current rate of cash burn, will be sufficient to see the company through to cash flow breakeven again should our anticipated recovery scenario be achieved.



# 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.

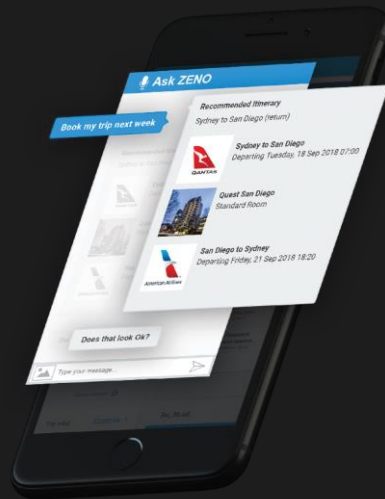
Serko employs around 240 people worldwide with its HQ in New Zealand, and offices across Australia, the U.S. and China

# SERKO PRODUCTS

zeno  
BY serko

## 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	2020
	\$'000
Travel platform booking revenue	16,307
Expense platform revenue	5,831
Supplier commissions revenue	1,427
Other revenue	485
Recurring Product Revenue	24,050
Percentage of total revenue	93%
Services revenue	1,819
Total Revenue	25,869

Corporate traveller makes a booking via Serko Online/Zeno

Traveller submits receipts using Serko Expense/Zeno

Traveller books hotel or taxi via Serko Online/Zeno

Traveller downloads and uses Serko Mobile

Additional Services

\$

## Booking and other fees

Serko charges the TMCs a fee per booking (which varies based on volume).

\$

## Monthly user fee

Serko Expense customers pay a fee based on the number of active users each month directly to Serko.

\$

## Supplier commission

Serko also generates revenue through commissions on hotels, rental cars, airport transfers and other travel providers that are booked through its platform.

\$

## Mobile subscription

Serko earns other miscellaneous revenue such as mobile licenses

\$

## Services Revenue

Paid customisation, marketplace integration or implementation assistance

## HISTORIC MEASURES for financial years (31 March)

Selected Operational Metrics	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Total revenue growth (%)	27%	39%	55%	27%	9%#	28%	28%	11%#
Revenue growth – Travel Platforms (%)	41%	12%	62%	49%	8%	23%	20%	2%
Total travel booking transactions (000s)	987	1,107	1,588	2,407	2,913	3,526	4,138	4,214
Online booking transactions <sup>1</sup> (000s)	821	1,011	1,468	2,262	2,673	3,207	3,743	3,724
Online transaction growth (%)	35%	23%	45%	54%	18%	20%	17%	-1%
Recurring product revenue as % total revenue	84%	71%	80%	93%	91%	90%	89%	93%
Operating costs <sup>2</sup> (% change)	35%	62%	105%	13%	(10%)	(5%)	29%	59%
Employees (number at end of year - FTE)	47	87	133	127	108	106	173	233
Average revenue per FTE (NZD\$000)	119	100	94	101	122	170	167	121
Research & development costs - expense and capex (NZD\$000)	2,340	3,387	5,762	6,268	5,836	4,906	9,165	13,606
Peak annualised transactional monthly revenue (ATMR) (NZD\$m)	*	*	*	11.2	15.3	18.4	26.0	27.5

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; FY20 revenue was affected by Covid-19 pandemic

# 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 is a non-GAAP measure and is the recurring revenue derived from transactions and usage of Serko products by contracted customers. It excludes revenues from customised software development (services revenue).
- Operating revenue is a non-GAAP measure excluding income from grants and finance income, while total income includes grants.
- 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