

Market Release
19 August 2020

2020 Annual Meeting Addresses

The attached addresses will be given at Serko's Annual Meeting which is to commence at 2.00pm today (19 August 2020) and is being held online at www.virtualmeeting.co.nz/sko20

Chairman's Address

Welcome and thank you for joining us at Serko's Annual Meeting for 2020, our first virtual Annual Meeting.

You may be aware that I took over as Interim Chair for Simon Botherway in March 2020. This was to enable Simon to receive treatment for a recently diagnosed non-life-threatening medical condition. Simon remains a director and has continued to attend all Board and Committee meetings since this time. He is currently in managed isolation following recent surgery overseas, which I'm pleased to say went well. At this time there is no agreed date for Simon's resumption of the Chair role while he recuperates but we will keep the market updated on this. Simon, Darrin and I are in regular communication and meet weekly to review the key matters for the business.

Impacts of Covid-19 on the FY20 Results

When we consider our FY20 results, we see that 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. Darrin will provide more information about these key milestones in his address shortly.

Serko's performance was however materially impacted in the fourth quarter of the financial year as the Covid-19 pandemic became widespread, significantly affecting Serko's travel booking volumes.

Clear evidence of a pattern of declining bookings became apparent in mid-February 2020 and this was followed by a sharp decline in March 2020 as lockdown measures were implemented.

At its lowest point, daily booking volumes were down in excess of 90% compared to similar days in 2019.

The pandemic led us to first downgrade our guidance expectations in February 2020 and then to completely withdraw our guidance expectations in March 2020.

While the pandemic struck late in the financial year, it had a disproportionately negative effect on our results. It was extremely disappointing to the Board and the Serko team to finish a great year with results substantially below our original guidance expectations.

Covid-19 impacted the business and the FY20 results in three main ways:

1. The first impact was due to seasonality. December and January are typically our lowest months for travel bookings, making February and March critically important months for revenue generation. Covid-19 hit at a critical time in our financial year.
2. Secondly, with the massive impact of Covid-19 on the travel industry, we agreed to a number of changes to contracts to support our reseller partners. This included changes to contracted minimum revenues, which had the effect of reducing the revenue we expected to record in the current year, resulting in adverse accounting adjustments.
3. Our FY20 results were also restricted by materially slowed reseller onboarding in North America in February and March as Covid-19 throttled back all activity in that market.

Serko Response to Covid-19

Our immediate response to the Covid-19 pandemic was to introduce measures to look after our people. We had a pandemic plan in place as a result of learnings from managing the SARS epidemic which informed our response. We also gathered the

Board for weekly meetings to assess and monitor the situation. I was proud to see how quickly and effectively our team transitioned to remote working, using technology to retain productivity and interconnectedness. Serko is continuing to leverage the learnings from this period to aid productivity, provide additional flexibility for staff and allow us to utilise global talent.

The pandemic has had a substantial impact on the operations and economics of the business. Accordingly, as previously announced to the market, we have reduced cash burn and reprioritised strategic initiatives to position the business for the materially changed operating environment.

Wherever possible we have used this shock to the business and our industry to gain positive connection to our customers, support the learning and growth of our global team and to focus the business on profitable long-term revenue opportunities.

We consider our market opportunity to be undiminished, despite the pandemic, and remain confident in the recovery of corporate travel. However, we acknowledge it is likely to take longer than we'd hoped to return to pre-Covid levels of travel.

In responding to these challenging circumstances, we have reduced the overall size of the Serko team and reprioritised project spend. Our priority has been to retain resource and capacity on key growth initiatives to ensure we are well positioned for the future and can execute on some of the key opportunities we are seeing come out of the changes to the travel industry.

The main uncertainty is of course timing, while we offer no crystal balls we do have a clear strategy to drive long-term growth. Darrin will outline the main pillars of our strategy and the market opportunities we are seeing in more detail shortly.

Serko continues to be well-funded following the completion of an oversubscribed capital raise of \$45 million in November 2019, supported by Booking Holdings and our wider shareholder base. As at 31 July 2020 we had a cash balance of \$36 million.

We continue our rigorous focus on cash flow. Year to date our burn has averaged \$1.5 million per month, outperforming our guidance of monthly average cash burn of \$2

million, as we started the year at \$42m. We have been assisted by the Government subsidy programmes and our internal cost rationalisations. This means we have been preserving cash but also means we are not pursuing our expansion plans as quickly as we would like.

The travel industry is experiencing a very challenging economic environment. As a consequence, some industry participants have retrenched or are seeking to be acquired. Such fundamental changes to the value channel are creating opportunities for Serko to rollout our platform internationally sooner than we had previously expected. The Board has agreed to a measured increase in cash-burn for the remainder of the financial year to resource Serko to pursue these opportunities. We will remain within our cash burn target and will not exceed our commitment to the market of a \$2 million average monthly cash burn.

We are razor focussed on rebuilding the value lost when Covid-19 severely impacted our share price. I am sure you all saw the material drop from the high of \$5.80 achieved in January this year to its low in March, around the time New Zealand entered into lock-down. This was demoralising for the team, but we are determined to continue the great work we have been doing and we are pleased to see the share price continue to recover.

I'd like to take this opportunity to thank our existing and new shareholders for your support at the time of the 2019 capital raise and for your ongoing support.

Impacts of Covid-19 on the Travel Industry

Turning to the impacts of the pandemic on the travel industry.

Worldwide Government responses to the pandemic, including lockdowns and the suspension of all non-essential travel, continue to materially affect our booking volumes, which generate the majority of Serko's revenue, particularly in Australia.

Travel bookings have increased as travel restrictions were lifted in New Zealand and by limited Australian domestic travel. In July, we had seen a return of around 30% of the transacting volume booked in July last year. While this evidenced a steady increase in

transactions from the lowest point of only 9% in April, we don't currently expect bookings to increase meaningfully above this level until Australian businesses start travelling domestically again. New Zealand's latest lockdown is also resulting in another, hopefully short-term, drop in transactions.

Slide 6 - Outlook

Turning now to Serko's outlook, we are actively preparing for the 'new normal'.

Despite the significant changes occurring in our industry, we do consider the business is well positioned for growth when trading conditions improve and the travel industry starts to recover.

There are a number of reasons for our optimism:

- We occupy a strong market position in Australasia, with the majority of our transactions being domestic and Trans-Tasman. We have a pipeline of new customers from our existing reseller partners that we will onboard over the remainder of the financial year.
- We are focussed predominantly on domestic travel within North America, where we continue to add resellers to our platform and develop localised content. Alongside a recovery in transaction volumes, we expect our TMC partners to start to bring back their teams and commence the onboarding of their customers onto Zeno.
- Our 'Booking.com for Business' white-label is now live in the United Kingdom and Ireland and is about to go live in Germany. It also presents an opportunity to continue to expand use of the Zeno booking tool globally. Darrin will speak to this opportunity in more detail shortly.
- We have a strong balance sheet and ongoing commitment to invest into growth opportunities for Serko.
- Our team is focussed and engaged. We are proud of the work we have done both within Serko and to support and strengthen our wider community.

Timing of the recovery of the travel industry of course remains highly uncertain. As a result, we continue to be unable to guide the market on our likely revenue for the 2021 financial year with any certainty.

We indicated at our full-year announcement that we anticipated our core Australasian markets will be operating at between 40%-70% of their pre-Covid levels by March 2021. As mentioned, transactions have been relatively static at around 30% during July and, should Australia and New Zealand's travel remain restricted, we expect to be at the lower end of this range. However, once travel is less restricted we could see transactions improve to 60-70% based on the experience of New Zealand at level 1.

We continue to take a conservative approach to growth assumptions as most industry reports indicate a slow, and largely unpredictable, return to full pre-Covid activity levels.

While our cash supplies are finite, we have 18 months of cash based on a \$2m cash burn rate. At this stage we do not need to raise any further capital but we will continue to monitor both our cash burn and capital requirements relative to our growth opportunities.

Slide 7 - Board Succession Planning

As mentioned at the Annual Meeting last year, the Board has identified that the appointment of a new director will be required over the next couple of years to support Board renewal. We are currently considering the appointment of an additional non-executive director, although the process has been intentionally paused while the Board has focussed its attention on managing the impacts of Covid-19. Succession planning will continue to be a focus for the Board over the coming year.

Acknowledgements

There is no doubt that the pandemic has tested the resilience of Serko. The response to this by the Serko team has been both exceptional and exemplary. To pivot from a business anticipating a strong growth trajectory to face the realities of the Covid-19 environment has not been an easy or simple transition. We have made a number of

very difficult decisions that have had a significant impact on our people. The commitment and agility of the wider Serko team, the Serko executive team and the Board has been unwavering. I commend Darrin on his leadership during this time, the Serko executive for their dedication and the wider Serko team for their sheer determination to thrive at this very difficult personal and professional moment in time.

I would like to not only thank Darrin and the whole Serko team for their hard work and commitment to Serko over the past year but also acknowledge the massive personal sacrifice of time and energy of all Serkodians over the past 6 months.

I'd also like to acknowledge the significant contribution of my fellow directors over the past year who met for a staggering 22 additional special meetings to provide governance and support for the 2019 capital raising process, M&A activity and to oversee the risks presented by the Covid-19 pandemic.

The last year in Serko's corporate history has been a true team effort.

I'll now invite Darrin Grafton, CEO and Co-Founder, to address you.

At the conclusion of Darrin's presentation, we will take your questions before we move to the formal business of the meeting where you will also get the opportunity to ask questions on the particular resolutions being considered.

CEO's Address

Thanks Claudia.

As Claudia highlighted, the Covid-19 pandemic has had a profound impact on the travel industry. Many commentators are predicting that corporate travel volumes are likely to remain below pre-Covid levels until a vaccine or treatment is found. We're seeing consolidation and change occurring within the travel eco-system. And, while we are seeing some existing competitive threats intensifying as industry players fight for survival, we are also seeing opportunities for our technology to assist our reseller partners and corporate travellers around the world.

When Covid first hit, we shored-up our survival by reducing our cash-burn. We have used this 'less than ideal' operating environment to actively look for opportunities to optimise our business and prioritise our strategic objectives. And now we are focused on how we can best position ourselves to thrive as conditions normalise.

Research into the impacts of the GFC has shown that companies that invested for growth during the GFC, and effectively balanced protecting their existing business while retooling the business for the post-GFC environment, accelerated profitability during and after the recession. We are seeking to similarly balance expenditure and protect our existing business with seizing opportunities to rapidly grow as conditions improve.

We are already seeing changes in the requirements of corporate travellers and our TMC resellers post-Covid. Factors such as duty of care, cost management and flexibility to change travel bookings have become of increased importance.

The managed travel channel, supported by our technology, is built to assist with these requirements, positioning us well for when travel increases.

Slide 9 – Strategic Goals

As discussed at our last Annual Meeting, we continue to target \$100m in revenue. We consider that this opportunity remains undiminished, although the pandemic is likely to have slowed the timing of achieving that goal. We are still working on strategies to achieve this goal in the mid-term but as industry commentators are now predicting a potential 2-3 year recovery of travel to pre-Covid levels, this timing remains uncertain.

Our strategic goals remain unchanged despite Covid-19. These are to (1) sustain and continue to grow our customer base, (2) continue to increase Average Revenue Per Booking (ARPB), and (3) continue to deliver market-leading technological innovations to underpin our platform for global expansion.

Key to the ongoing delivery of these strategic goals are:

- In Australasia, sustaining our current TMC resellers in our home markets, existing booking volumes returning to normalised levels and then increasing over time, and our ability to increase the average revenue per booking (ARPB).
- The successful execution of the Booking for Business whitelabel opportunity; and
- Achieving a material increase in booking volumes in North America

I'll address each of these market opportunities in turn.

Slide 10 – ANZ

We occupy a strong market position in Australia and New Zealand, with the majority of our travel revenues coming from domestic bookings in these home markets.

Return of Booking Volumes

During the FY20 financial year we achieved year-on-year booking growth for the first 11 months, before the full impact of the pandemic was felt in March.

However, due to the pandemic our travel transactions dropped away materially. We've been pleased to see the overall volume of transactions steadily increasing since May and, as Claudia mentioned, they have been sitting at around 30% of previous monthly volumes for the past month, prior to the revised lockdown level in New Zealand.

In large part this was due to the recovery of domestic travel within New Zealand, which has seen some of our travel management company resellers return to around 65% of their previous monthly volumes before the latest level 3 lockdown.

We see the resumption of travel in New Zealand as a good indicator for what we hope to see in other countries as they manage through the various phases of the pandemic, although subsequent lockdowns will likely continue to impact volumes for some time.

The Australian State-wide lockdowns have meant we haven't seen the same uplift in domestic travel within Australia yet, but we are encouraged to see the reducing infection rates as a result of the latest strategy implemented. This suggests that the

Australian market could recover to similar levels as New Zealand over the remainder of the calendar year.

We do expect to see corporates adopting a more conservative approach to travel in the short-term but remain confident that travel will return to pre-Covid levels over time.

Drive Booking Volume

We have worked actively with our key resellers through-out Covid to understand corporate traveller's needs in a post-Covid environment and are discussing new features that will meet the emerging requirements for higher standards of duty of care, cost management and greater flexibility to change flights going forward. However, we also need to balance investment in platform enhancements with cash burn in this environment of reduced activity.

We are still achieving customer growth through continuous onboarding of new customers by our TMC resellers, such as Orbit and Flight Centre, albeit at lower volumes of transactions due to Covid. The number of corporates booking in July increased to over 3,900, up 700 since our Full Year announcement in June 2020 where we reported 3,200 customers for the first 3 weeks of June.

Growth in ARPB

As part of achieving our goal of reaching \$100m in revenue we had a target of achieving 5 million transactions in Australasia at \$7 ARPB in the medium-term.

We made good progress during the FY20 financial year with a peak in February of 24,000 bookings in a single day, up from a peak of 21,000 in the same month in the prior year, and ARPB increasing to \$6.46 based on total recurring revenue of \$24.1 million from online bookings.

Total bookings were 4.2 million for the FY20 year, including offline bookings, with 3.72 million for online bookings only.

Our overall plan for the Australasian market is to capture a greater share of the travel wallet via three core areas:

- Firstly, through content, via supplier commissions such as hotel and ground transportation commissions,
- Secondly, via additional functionality such as duty of care, compliance, complex multi-international booking functionality, and other core market features; and
- Finally, using our express Expense offering to increase ARPB and target the SME market.

The effects of Covid-19 means that it is likely to take longer than originally planned to achieve our mid-term goal, we think the original opportunity remains and we are also seeing new opportunities arise as a result of the pandemic.

We continue to see a significant transition to our premium Zeno product from Serko Online. At the end of March 25% of transactions were occurring on the Zeno platform. In July, approximately 35% of transactions were occurring on Zeno, an increase of 10%. Over 50% of all transacting corporate customers transacted on Zeno during July.

We also saw an opportunity with the way expenses needed to be managed during the period of remote working caused by of the Covid-19 lockdowns. In response, we created a 'lite' expense product using a direct marketing campaign and activation of a reseller incentive program across our travel management company partners in Australasia. This Express offering resulted in an increased pipeline of expense opportunities and our best months ever for new customer acquisition although these were generally smaller SME customers.

Slide 11 – Booking For Business White label

In October 2019 we entered into an expanded agreement with Booking.com to provide a white label of the Zeno platform to Booking as a replacement for Booking.com's existing Booking for Business SME offering, providing a revenue share arrangement.

This continues to offer an exciting growth opportunity for Serko notwithstanding Covid-19.

Our teams have worked closely under challenging conditions to enable the Zeno Booking for Business platform to go live in May, with pilot customers across the UK

and Ireland. We continue to have bookings completed successfully on the platform, albeit at relatively low levels due to the widespread travel restrictions that have been in place. We are now focused on further stages of the rollout. The next country for rollout is scheduled to be Germany in September.

Booking.com has announced that they are restructuring their businesses, and we are now investigating with Booking.com a faster migration plan to roll-out to additional countries. This means that Serko is now in the planning stage to accommodate a large-scale migration and build out the functionality and language features required for the proposed new markets. We will inform the market of what this migration program will look like over the coming months as the details are agreed with Booking.

This opportunity is significant and potentially gives us access to a much larger addressable market as travel activity recovers over time.

The Booking.com initiative is being ably led by Jonathan Starkings who was appointed to lead the Booking.com initiative. Jonathan was formerly the Managing Director of Groupon Travel and Commercial Director for the Expedia Group.

Slide 12 – NORAM

Since March, three new travel management resellers have signed agreements to offer Zeno in the US, bringing our total resellers to eight. We are making good progress working through pilot programs with these resellers, although it is slower than we'd like due to the pandemic. The focus going forward is on building a solid pipeline of transacting customers.

Travel activity remains extremely subdued in this market, but we are pleased to have some customers trading within the North American market today and we expect our transacting customer numbers to increase when travel normalises. This market again provides a significant growth opportunity over time but is unlikely to generate material revenue over the remainder of the financial year.

We have added tailored North American content and integrations that helped us win our largest customer to date in this market - ZS Associates.

Development work will continue to expand the functionality around local air, rail and hotel content as well as completing reseller integrations to support the migration of the additional corporates on to our platform for North America.

We have also added expense resellers with OMNIA Partners and Oracle Netsuite and are working on activating our travel management resellers to become expense referral partners in North America as well.

SLIDE 13 – Performance Dashboard

While FY20 feels like a long time ago now and, as you've heard, our operating environment has changed materially since then, I want to cover off our performance dashboard for the last financial year for good order.

With our expansion plans and the corresponding increase in Operating Costs, Serko declined to an overall net loss after tax of (\$9.4) million. EBITDAF was a loss of (\$6.1) million, down from a profit of \$2.6 million in the prior year.

Our Operating Revenue was up 11% at \$25.9 million for the year, with 93% representing recurring product revenues sources. Recurring Core Product Revenues were up 16% to \$24.1 million. Total Income, including grants, was \$26.8 million, up 9% over the prior period.

Annualised Transactional Monthly Revenue (ATMR), historically a forward-looking indicator of recurring revenues – reached a peak during February at \$27.5 million, up 6% against the prior year comparative at \$26 million. However, it declined to \$15 million in March 2020 and has subsequently further declined.

Despite the Covid effect, total transactions across our travel platforms grew 2% over the last year.

R&D spend was \$13.6 million for the period and was up 48% from the prior period, which shows the increased development that is being invested in the product for new territory expansion.

Operating costs increased 59% over the prior year to \$37.1 million.

A more detailed analysis of the financial performance is included in the Annual Report, which can be found on our website.

Slide 14 – Our People & Capability

As a company with strong growth ambitions, we have been continuing to strengthen our executive leadership team.

We have appointed Duanne O'Brien as Chief Technology Officer to lead the platform modernisation and scalability initiative and he brings over 25 years' experience, specialising in building global enterprise SaaS platforms.

We appointed Sarah Miller, Serko's Company Secretary to the role of General Counsel. Sarah has worked as a consultant to Serko supporting the Executive and Board since before our IPO. Sarah has over 20 years' experience leading in-house legal functions for dual-listed entities, consulting to a range of companies on transactional and governance matters, and working for major law firms in New Zealand and the UK.

We have also invested in our ability to scale new markets and new partners by appointing Nick Whitehead to Chief Marketing Officer to lead these initiatives globally, and in the last year we have launched an innovative sales enablement program built around a Zeno partner program to rapidly onboard new travel management resellers and get them to a point of sales effectiveness much more quickly.

And, as mentioned before we appointed Jonathan Starkings, an experienced commercial leader with significant experience in online travel to head up our partnership with Booking.com.

SLIDE 15 – SUMMARY

So to recap we are focussed on:

- Driving our Australasian business and protecting revenue while investing into content and the features needed to enable business travellers to balance both risk and control.

- Successfully completing the migration of the Booking.com for Business customers onto our Zeno platform.
- Activating North America through multiple channels.

These three core areas will see Serko lay the foundations now that will set us on the path needed to achieve our ambitions of \$100m.

Before concluding I think it is important to acknowledge the extraordinary efforts of Serko's Board and our people over the past year.

As Claudia mentioned, our Board has extended themselves well beyond the normal board schedule of meetings as we navigated capital raisings, M&A activity and the Covid pandemic so to our Board of Directors I extend my sincere thanks.

Serko's people have demonstrated an extraordinary resilience and commitment by adapting and continuing to deliver on the most important aspects of our strategy for ALL our stakeholders. To my team I extend my heartfelt gratitude.

We will keep the market updated with any material changes.

Announcement authorised for release by Sarah Miller, General Counsel.