

Market Release

18 November 2020

FY21 Half-Year Results Announcement

for the period ended 30 September 2020

Serko Limited (NZX:SKO) today announces its unaudited financial results for the six month period ended 30 September 2020.

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 (NZT) today.

To participate in the call dial one of the following numbers. The call confirmation code is 922782

Location	Phone Type	Phone Number
New Zealand	Tollfree/Freephone	0800 968 400
New Zealand, Auckland	Local	+64 (0) 9 9760 018
Australia	Tollfree/Freephone	1 800 850 171
Australia, Sydney	Local	+61 (0)2 9193 3758
Singapore	Tollfree/Freephone	800 186 5105
Singapore, Singapore	Local	+65 6320 9091
Hong Kong, Hong Kong	Local	+852 3008 1515
United States/Canada	Tollfree/Freephone	888-632-5004

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

18 November 2020

UNAUDITED FINANCIAL RESULTS FOR THE SIX MONTHS TO 30 SEPTEMBER 2020

Serko investing for a recovery in global business travel markets

SUMMARY OF PERFORMANCE FOR THE PERIOD

- Total operating revenue¹ of \$5.1 million for the six-month period was 66% lower than the same period in the prior year of \$14.7 million following COVID-19 pandemic travel disruptions.
- Recurring product revenues¹ for the period were \$4.6 million compared to \$13.3 million in the prior period.
- Half-year total travel booking¹ volumes for the period were down 77%, being 23% of the volumes in the same period a year ago, but have since risen to 35% for October (New Zealand at 76% and Australia at 26%).
- The percentage of transactions occurring on our premium platform Zeno continues to increase, representing around 38% of online transactions in September, up from 25% of online transactions at the end of March 2020.
- Half-year total income¹ was \$8.5 million, down from the prior year's \$15.2 million.
- Net loss after tax for the period was \$10.1 million compared to a net loss of \$0.9 million in the prior period due to lower revenues and Serko investing in expansion into Northern Hemisphere markets ahead of an anticipated travel market recovery.
- EBITDA¹ for the period was a loss of \$6.7 million compared to a profit of \$1.4 million in the prior period reflecting reductions in transactions and investment in Northern Hemisphere expansion.
- Net cash burn averaged \$1.8 million per month for the six-month period, within the \$2 million COVID-19 cost saving cap set by the Company, as previously announced to the market.
- Cash balances as at 30 September were \$31.5 million. Following the recent capital raising, Serko presently has over \$90 million of cash on hand, positioning Serko well for an anticipated travel market recovery.

Serko Limited (NZX/ASX:SKO), a leader in online travel booking and expense management for the business travel market, today reports financial results for the six months to 30 September 2020.

Serko also reiterated its plans to move more quickly on the opportunities arising from the changing travel market. Last month's successful capital raising, which saw the Company raise \$67.5 million of gross proceeds, has positioned Serko to build to the future of the business travel industry.

FINANCIAL SUMMARY

Total revenue for the six-month period was \$5.1 million compared to the estimated range of \$4.5 million to \$5.0 million stated in the capital raising documentation. The result was down 66% from the \$14.7 million in the same period a year ago. This was primarily due to the impact of travel restrictions on the Company's core Australasian travel transaction volumes.

¹ For the definition of these measures please refer to page 5 of this release.

Travel platform revenue was down 77% and content commissions were down 75%. Total travel booking transactions for the period fell to 0.5 million from 2.2 million in the same period a year ago, down 77%.

Expense platform revenue was less affected than travel related revenue, down 33% compared to the prior period.

Total recurring product revenues reduced to \$4.6 million from \$13.3 million in the same period last year. Total income, which includes \$3.0 million of government COVID-19 related assistance and \$0.4 million of other grant income, was \$8.5 million compared to guidance of \$8.0 million to \$8.5 million. Total income posted in the same period in the prior financial year was \$15.2 million.

Half year net losses increased to \$10.1 million from a net loss of \$0.9 million in the same period last financial year reflecting the weaker revenue arising as a result of COVID-19 and the Company investing in the opportunities arising from the changing business travel market. EBITDAF losses were accordingly \$6.7 million down from a gain of \$1.4 million at the same period a year ago.

In the six months to the end of September, in line with guidance, the company burned an average \$1.8 million per month of its cash reserves. This spend was focussed on measures to maintain capacity and invest for an eventual recovery despite the prevailing low revenue environment. Serko ended the six-month period with cash balances of \$31.5 million. This figure was lifted by approximately \$65 million in new capital (net of issue expenses) following a successful capital raise. Serko has a forecast cash balance of over \$90 million at the end of November 2020.

Serko Chair Claudia Batten said: “As we signalled last month, the COVID-19 pandemic is reshaping all parts of the business travel industry, from the suppliers of business travel content and services through to the needs of the business traveller.

“Amid this disruption our Travel Management Company (TMC) resellers and partners recognise the pivotal role Serko’s solutions and relationships can play in managing the disruption and preparing for the recovery. Many have requested accelerated timetables to onboard new customers, deliver new features and expand existing partnerships, while many others are considering or are planning to follow suit.

“The capital recently raised, combined with our existing cash balances, position us well to scale-up to meet this demand and execute on our strategic priorities, positioning Serko for growth when business travel normalises,” Ms Batten said.

Serko Chief Executive Darrin Grafton said: “We consider that Serko’s prospects within the travel industry remain significant over the medium to long-term, notwithstanding the currently known impacts of the COVID-19 pandemic, and we remain confident in the recovery of travel over time. We are committed to supporting our partners through this period of change and accelerating our drive to transform business travel and expense management globally.

Mr Grafton said “Serko’s strategic priorities for the coming year include:

- accelerating the development of, and globally scaling up, Zeno;
- supporting the increased demand for customer and reseller onboarding to drive volume across all markets, particularly in Europe and North America;
- expanding the breadth and depth of content channels across all markets, responding to new and changing business traveller needs; and
- enhancing the customer experience and functionality for changing market requirements.

“Through our capital raising, our shareholders have backed Serko to execute on this plan. We have now begun to plot a detailed course and are well advanced in hiring the software engineers to deliver on

these goals. In addition, we are growing our support functions to meet the needs of a growing global operation. It is very early days, but we are excited by the task ahead of us and the potential rewards.

“We will consider small acquisitions and/or investments to assist Serko to accelerate execution of these strategic priorities, where it makes sense to do so,” Mr Grafton said.

MARKET PERFORMANCE

Mr Grafton said: “The performance of the business for the half year period was in line with the guidance given at the time of the capital raising.”

Australasia

Australasian booking volumes reached their low point in April, at just 9% of the same month in the prior year and have been volatile amid the lifting and then the reimposition of travel restrictions on both sides of the Tasman. Booking volumes for the six month period were 23% of the prior year volumes and 33% for the month of September.

Australasian travel booking volumes have further improved to 35% for October 2020 of the prior year volumes. New Zealand TMC resellers volumes were 76% of the prior period benefitting from the lifting of domestic travel restrictions, while Australia is at 26% of the prior period with travel restrictions still in place. As travel restrictions progressively ease, the anticipated recovery of internal, domestic travel, particularly in Australia, is expected to be the principal driver of transaction volumes and revenues returning to more normalised levels. In the 2020 financial year, domestic travel in both Australia and New Zealand accounted for approximately 93% of Serko’s booking revenue. Trans-Tasman and international travel account for the remainder of booking revenue.

Notwithstanding the disruptions to key markets, we are pleased with the overall trends in the business. Notably, the percentage of transactions occurring on our premium platform Zeno continue to increase, representing around 38% of online transactions in September, up from 25% of online transactions at the end of March 2020.

Meanwhile, we continue to onboard new customers from our TMC resellers (including Flight Centre & Orbit). The number of corporates transacting in October 2020 were over 4,000, up from the lows of 1,725 transacting in April 2020. Prior to COVID-19, over 6,800 corporates were transacting on Serko’s platform.

North America

Travel within North America remains very subdued as a result of the pandemic, however, the North American market provides a significant growth opportunity over time. Serko continues to invest in the Zeno platform for expansion within North America, expanding its reseller base in anticipation of a resumption of travel.

Key achievements in the half year include tailored North American content and integrations for resellers; a Zeno Expense reseller partnership with the buying group Omnia Partners; and the addition of four new TMC resellers over the half year period, bringing the total to nine resellers. Serko is now in the process of activating these new partners.

As signalled in October the Company is also in the process of negotiating a large direct contract with a US Fortune 500 company².

² There is no guarantee these negotiations will result in a signed agreement.

Booking.Com

Serko's partnership with Booking.com continues to offer growth opportunities for Serko, particularly among small and medium sized businesses. Notwithstanding the COVID-19 pandemic, the potential large-scale roll-out gives Serko the opportunity to access to a much larger addressable market as travel activity recovers over time.

The new Booking.com for Business platform powered by Zeno went live in May 2020, with pilot programs implemented across the United Kingdom and Ireland. A pilot was also launched in Germany in early September 2020.

It is expected that new customers wishing to set-up a business account on the Booking.com website will be directed to the new Booking.com for Business platform powered by Zeno in select Northern Hemisphere markets imminently.

It is expected that customers will be able to progressively sign-up to the Booking.com for Business platform powered by Zeno as the product is made available in additional markets.

Serko and Booking.com continue to have a collaborative partnership, with both parties working to bring a best-in-class business travel tool to customers globally. Serko is progressively scaling-up to achieve this.

OUTLOOK

Ms Batten said: "Serko's outlook was unchanged from that stated in the October 2020 capital raising documents.

"We are well positioned for growth as business travel recovers. The profile and timing of that recovery, however, remains uncertain. As a result, we are unable to forecast our likely operating revenue for the 2021 financial year with any certainty," Ms Batten said.

"Serko continues to assume in its forecasts that travel volumes will be in the range of 40-70% of pre-COVID levels by March 2021. The extent of travel restrictions in place within Australia and New Zealand will be determinative of where, within this range, actual travel volumes fall.

"Serko continues to target an average monthly cash consumption of between \$2 million and \$4 million during the remainder of FY21 and through to FY22. We continue to invest in growing our global footprint, managing investment based on travel resumption and achievement of key performance metrics (including the Booking.com opportunity and NORAM customer onboarding)."

EXECUTIVE UPDATE

Mr Grafton said: "I also announce today that Chief Financial Officer, Susan Putt, has signalled her intention to transition out of the Company no later than the end of May 2021.

"We will shortly commence a comprehensive search for a successor and will utilise her notice period to ensure an orderly succession plan.

"Susan has played a critical role in the business over the last four years of Serko. She feels it is time to open a new chapter of her career and we are sorry to see her go but wish her well.

"I sincerely thank Susan for the guidance and contribution she has brought to me and Serko over her time with us," Mr Grafton said.

Ends

This announcement has been authorised for release to NZX and ASX by:

Susan Putt, Chief Financial Officer

Phone: +64 21 388 009

Email: investor.relations@serko.com

For investor relations queries please contact:

Susan Putt, Chief Financial Officer

Phone: +64 21 388 009

Email: investor.relations@serko.com

About Serko

Serko is a leader in online travel booking and expense management for the business travel market. 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 235 people worldwide, with its headquarters in New Zealand, and offices across Australia, China, and the U.S. Visit www.serko.com for more information.

Important 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.

- **Total operating revenue** (a Non-GAAP measure) is revenue excluding income from grants and finance income, while **total income** includes grants.
- **Average Revenue Per Booking** (ARPB) is a non-GAAP measure. Serko uses this as a useful indicator of the revenue value per travel booking. It is calculated by taking Recurring product 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).
- **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.
- **Total travel bookings** include both online and offline transactions.

All dollar amounts are New Zealand dollars unless otherwise stated.

RESULTS ANNOUNCEMENT

18 November 2020

Results for announcement to the market

Name of issuer	Serko Limited ("SKO")	
Reporting Period	6 months to 30 September 2020	
Previous Reporting Period	6 months to 30 September 2019	
Currency	New Zealand Dollars	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$8,533	Down 44%
Total Revenue	\$8,533	Down 44%
Net profit/(loss) from continuing operations	(\$10,111)	Down 1068%
Total net profit/(loss)	(\$10,111)	Down 1068%
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	34.50 cents	11.22 cents
A brief explanation of any of the figures above necessary to enable the figures to be understood	<p>Revenue has decreased from prior year primarily due to the impact of pandemic-related travel restrictions on the company's core Australasian business travel market. Net tangible assets increased from the prior comparable period as a result of an increased cash balance through the capital raise in October 2019. 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 2020 ("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	18/11/2020

Unaudited financial statements for the six months ended 30 September 2020 accompany this announcement.



serko

FY21 INTERIM RESULTS PRESENTATION

18 NOVEMBER 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 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 high-angle, blue-tinted aerial photograph of a city skyline, featuring numerous skyscrapers and dense urban development. Two large, white, curved lines are overlaid on the image: one starts from the top right and curves downwards towards the center, and the other starts from the bottom left and curves upwards towards the center.

CEO Welcome

serko

AGENDA

CEO Welcome

Financial
Highlights

Strategic
Updates

Outlook
Statement



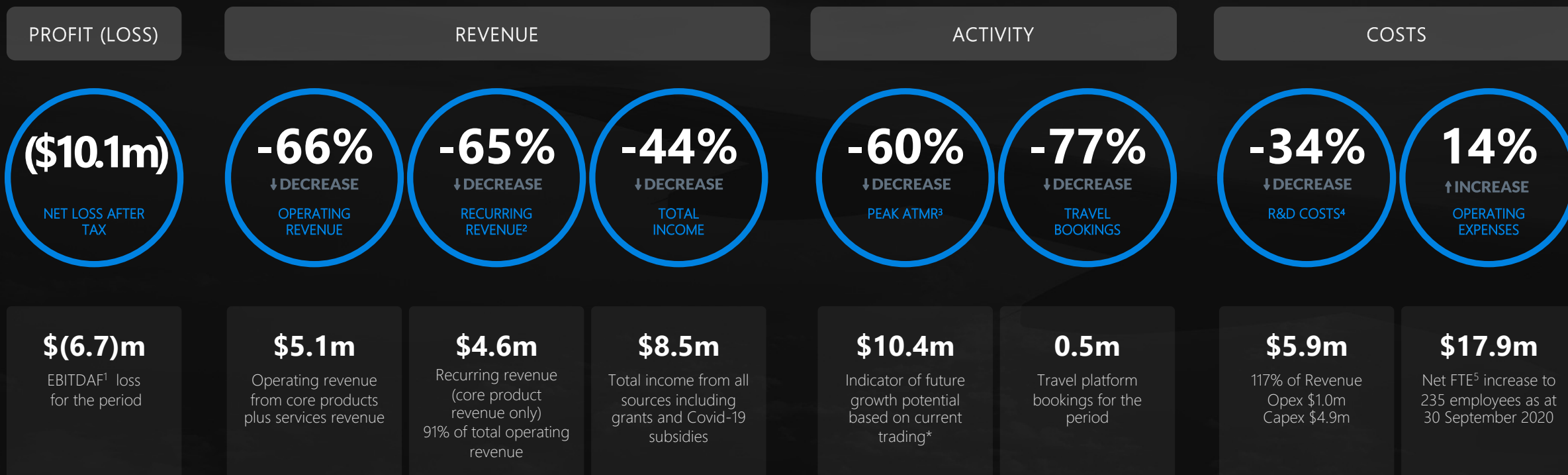
FY21 H1 Financial Highlights

The FY21 Half Year Results to 30 September 2020 are unaudited. The half year results have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards. All other accounting policies have been applied on a consistent basis with those used in previous years. For further information refer to Serko's FY20 Annual Report.

serko

PERFORMANCE DASHBOARD – Half Year FY21

FY21 (H1) VS FY20 (H1) - Unaudited



Notes 1 – 5: Refer to Appendix for definitions.

*The impact COVID-19 is having on the current operating environment means ATMR is a less reliable indicator of future growth potential than it was pre-COVID but this measure has been included for comparability with previous periods.

NET PROFIT SUMMARY/ EBITDAF RECONCILIATION

- Operating Revenue of \$5.1m down 66% due to Covid-19 impacts.
- Other income includes Grants of which \$3.0m relates to Covid-19 government subsidies received.
- EBITDAF loss of \$(6.7)m.
- Net loss for the period of \$(10.1)m.

Net Profit Summary EBITDAF Reconciliation	H1 FY21 6 months \$'000	H1 FY20 6 months \$'000	change \$'000	change %	FY20 12 months \$'000
Operating Revenue	5,061	14,671	(9,610)	-66%	25,869
Other income (including Grants)	3,472	541	2,931	542%	922
Total income	8,533	15,212	(6,679)	-44%	26,791
Operating expenses <i>Percentage of operating revenue</i>	(17,850) -353%	(15,651) -107%	(2,199)	14%	(37,092) -143%
Net finance income (losses)	(710)	(375)	(335)	-89%	975
Net profit before tax <i>Percentage of operating revenue</i>	(10,027) -198%	(814) -6%	(9,213)	-1132%	(9,326) -36%
Income tax expense	(84)	(52)	(32)	-62%	(38)
Net profit (loss)	(10,111)	(866)	(9,245)	-1068%	(9,364)
Add back: income tax expense	84	52	32	62%	38
Add back: net finance losses	710	375	335	89%	(975)
Add back: depreciation and amortisation	2,619	1,248	1,371	110%	3,156
Add back: fair value measurement ¹	-	585	(585)	n/a	1,056
EBITDAF	(6,698)	1,394	(8,092)	-581%	(6,089)
EBITDAF margin	-132%	10%			-24%

¹ Fair value remeasurement of contingent consideration on deferred consideration for InterplX acquisition added to EBITDA as non-cash expense

REVENUE ANALYSIS

- Recurring product revenue down 65%.
- Travel platform revenue down 77% primarily due to reduced bookings, which were also down 77%.
- Expense revenue down 33%.
- Content commission down 75%.
- Services revenue down 67%.
- Average Revenue per Booking (ARPB) for the period was up 49% due to Expense platform revenue being less affected than travel.

Revenue and Other Income by Type

	H1 FY21 6 months \$'000	H1 FY20 6 months \$'000	change \$'000	change %	FY20 12 months \$'000
Travel platform revenue	2,159	9,243	(7,084)	-77%	16,307
Expense platform revenue	2,013	2,991	(978)	-33%	5,831
Content commissions	210	837	(627)	-75%	1,427
Other revenue	225	242	(17)	-7%	485
Recurring product revenue	4,607	13,313	(8,706)	-65%	24,050
Recurring revenue % operating revenue	91%	91%			93%
Services revenue	454	1,358	(904)	-67%	1,819
Total operating revenue	5,061	14,671	(9,610)	-66%	25,869
Government grants – Covid subsidies	3,023	-	3,023	100%	-
Government grants – Other	449	541	(92)	-17%	922
Total other income	3,472	541	2,931	542%	922
Total revenue and other income	8,533	15,212	(6,679)	-44%	26,791

Operating Revenue by Geography

Australia	3,359	10,366	(7,007)	-68%	18,218
New Zealand	377	1,376	(999)	-73%	2,465
North America	1,231	2,712	(1,481)	-55%	4,823
Other	94	217	(123)	-57%	363
Total operating revenue	5,061	14,671	(9,610)	-66%	25,869

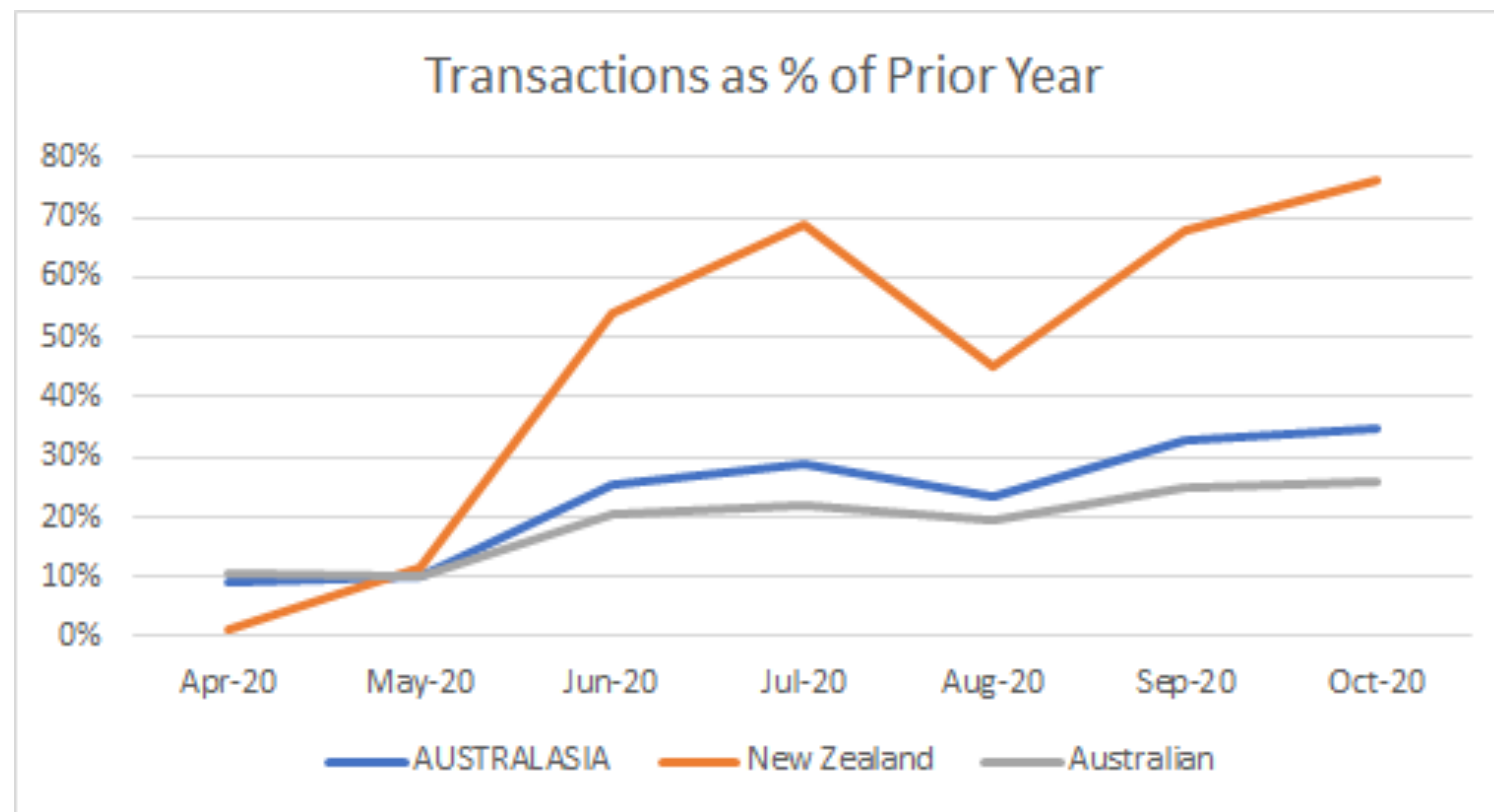
Travel bookings (000)

ARPB (Recurring revenue/Travel bookings)

Travel bookings (000)	523	2,246	(1,723)	-77%	4,214
ARPB (Recurring revenue/Travel bookings)	8.81	5.93	2.88	49%	5.71

TRANSACTION ANALYSIS - AUSTRALASIA

- Travel bookings as % of prior year were 33% for the month of September (23% for the six month period). For October this further improved to 35%.
- New Zealand bookings for September was 68% and 76% for October.
- Australian bookings for September was 25% and 26% for October.



OPERATING EXPENSES

- Operating costs as a comparison to the first half of last year increased primarily as a result of increased remuneration and benefits (R&B) up 46%, mainly due to increased headcount.
- R&B for H2 FY20 was \$11.7m versus \$11.2m for H1 FY21.
- Headcount increased to 235 at 30 September 2020 up from 208 at 30 September 2019.
- R&B costs includes contractor costs, which were reduced during the period, some of which were converted to employees at a lower cost.
- R&B also included non-cash share-based payments of \$1.4m in the current period.
- Administration costs include \$2.6m of non-cash amortisation and depreciation, up from \$1.2m in the prior year.

Operating Expenses	H1 FY21 6 months \$000	H1 FY20 6 months \$000	change \$000	change %	FY20 12 months \$000
Selling and marketing	913	1,223	(310)	-25%	2,989
Hosting	1,230	1,835	(605)	-33%	3,362
Remuneration and benefits	11,213	7,709	3,504	46%	19,419
Administration	4,494	4,299	195	5%	10,266
Fair value remeasurement on contingent consideration	-	585	(585)	-100%	1,056
Total Operating Expense	17,850	15,651	2,199	14%	37,092
Percentage of Operating Revenue	353%	107%			143%
Number of Employees at period end	235	208	27	13%	233

Note: A further breakdown of Operating Expenses can be found in Note 3 of the financial statements.

RESEARCH & DEVELOPMENT

- Total R&D costs decreased by \$3m over prior period.
- Net product development costs expensed, including amortisation of previously capitalised development, was 17% less than the prior period.

R&D Costs – Expensed	H1 FY21 6 months \$000	H1 FY20 6 months \$000	change \$000	change %	FY20 12 months \$000
Total R&D costs (including amounts capitalised)	5,898	8,921	(3,023)	-34%	13,606
Percentage of operating revenue	117%	61%			53%
Less: capitalised product development costs	(4,898)	(6,376)	1,478	23%	(11,013)
Percentage of R&D costs	83%	72%			81%
Research costs (excluding amortisation of amounts previously capitalised)	1,000	2,545	(1,545)	-61%	2,593
Percentage of operating revenue	20%	17%			10%
Less: Government grants relating to research	(450)	(408)	(42)	-10%	(683)
Add: Amortisation of capitalised development costs	1,746	631	1,115	177%	1,705
Net product development costs expensed	2,296	2,768	(472)	-17%	3,615
Percentage of operating revenue	45%	19%			14%

The background is a high-angle, 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 top right and curves downwards towards the center, and the other starts from the bottom left and curves upwards towards the center.

Strategic Updates

serko

FOUNDATIONS OF THE PATH TO \$100 MILLION REVENUE



Sustain and Grow ANZ

Invest in content &
capability to capitalize
on the return to travel



North America

Activate this market
through multiple
channels



Booking.com for Business

Bring the power of
Zeno to a global
market



ACCELERATING TO EXECUTE ON THE OPPORTUNITIES OF A CHANGING BUSINESS TRAVEL MARKET

CRISES BRING OPPORTUNITY

The COVID-19 pandemic is a rare event that is reshaping parts of the business travel industry, impacting both the suppliers of business travel content and services and the needs of the business traveller.

FUELLED FOR GROWTH

Serko's recent \$67.5 million capital raise (\$65 million net of advisor fees) was completed to prepare for growth opportunities arising from changes to the travel industry.

STRATEGICALLY POSITIONED

Serko's priority is to ensure it has the resource and capacity to execute on its strategic priorities, positioning the company for growth when business travel normalises.

AUSTRALASIA MARKET UPDATE

DOMESTIC FOCUS

Approximately 93% of Serko's revenues come from domestic bookings in Australia and New Zealand which are not reliant on the re-opening of International borders.

RETURN TO TRAVEL

Lifting of travel restrictions in New Zealand saw a rapid return to over 75% of pre-Covid activity.

We are hopeful Australia will follow a similar pattern as interstate restrictions are progressively lifted.

ZENO ACCELERATION

The percentage of transactions occurring on Zeno product were 38% of total transactions for September 2020, up from 25% of total transactions at the end of March 2020.



NORTH AMERICA MARKET UPDATE

NORTH AMERICA READY

We have continued to tailor North American content and integrations that helped Serko win and launch ZS Associates, our largest customer to date in this market.

INCREASED DISTRIBUTION

Since 31 March 2020, we have added four new TMC resellers in North America (bringing the total to nine). These are now in the activation and launch process.

ZENO EXPENSE LAUNCHED

The new Zeno Expense offering has been launched with corporate customers now activated and a reseller partnership with buying group Omnia Partners signed.



BOOKING.COM UPDATE



SCALING TO THE OPPORTUNITY

Serko and Booking.com are working together to bring a best-in-class business travel tool to customers globally and Serko is progressively scaling-up to achieve this.

PILOT CUSTOMERS ARE LIVE

The Booking.com for Business platform powered by Zeno is now live with pilot programs implemented across the United Kingdom, Ireland and Germany.

ENTRY INTO NEW GLOBAL MARKETS

Customers will be able to sign-up to the new Booking.com for Business platform powered by Zeno as the product is made available in additional markets.

The background is a high-angle, 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 top right and curves downwards towards the center, and the other starts from the bottom left and curves upwards towards the center.

Outlook Statement

serko

FY21 OUTLOOK

- Serko is well positioned for growth when trading conditions improve and the business 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.
- Serko continues to assume in its forecasts that travel volumes will be in the range of 40-70% of pre-COVID levels by March 2021 (based on the trends noted on Slide 9). The extent of travel restrictions in place within Australia and New Zealand will be determinative of where, within this range, actual travel volumes fall.
- As at 30 September 2020, Serko had net cash and cash equivalents of \$31.5 million. Following the recent capital raising, Serko presently has over \$90 million of cash on hand, positioning Serko well for an anticipated travel market recovery.
- Serko is targeting an average monthly cash burn of between \$2 million and \$4 million during the remainder of FY21 and through to FY22, dependent on travel resumption and achievement of key performance metrics (including the Booking.com opportunity and NORAM customer onboarding).

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

Q&A

serko



Appendices:

Company Snapshot
Definitions

serko

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.

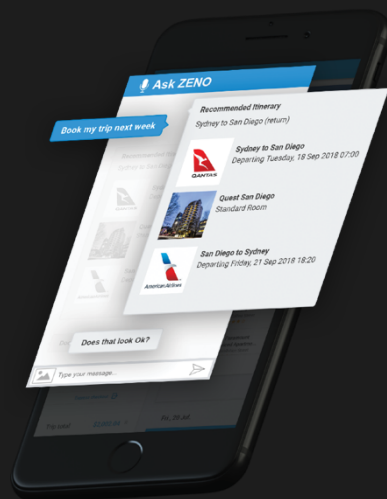
Serko employs around 235 people worldwide with its HQ in New Zealand, and offices across Australia, the U.S. and China.

SERKO PRODUCTS



Zeno Travel

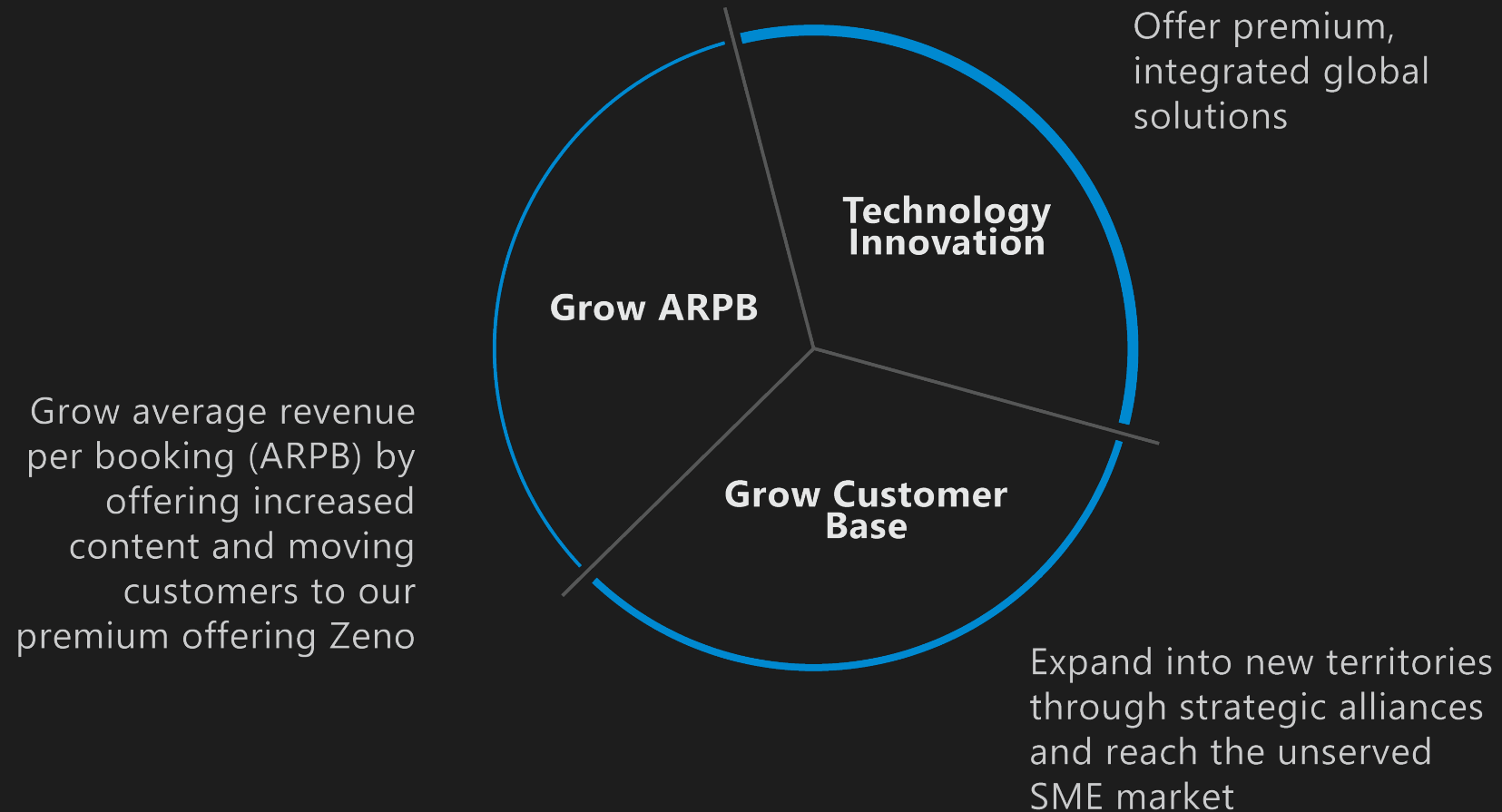
Zeno Travel is an Online Booking Tool (OBT) that corporate travellers use to book flights, trains, hotels, rental cars and airport transfers in line with their corporate travel policies.



Zeno Expense

Zeno Expense automates the process of corporate card and out-of-pocket expense submission, reconciliation and reimbursement.

SERKO STRATEGY



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

\$

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 – FY20

FY20 VS FY19

PROFIT (LOSS)

(\$9.4m)

NET LOSS AFTER TAX

\$(6.1m)

EBITDAF ¹ loss

REVENUE

11%

↑ INCREASE

OPERATING REVENUE

\$25.9m

Operating revenue from core products plus services revenue

16%

↑ INCREASE

RECURRING REVENUE ²

\$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 ³

\$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 ⁴

\$13.6m

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

59%

↑ INCREASE

OPERATING EXPENSES

\$37.1m

Net FTE ⁵ 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

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 ¹ (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 ² (% 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 an 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. The impacts COVID-19 is having on the current operating environment means ATMR is a less reliable indicator of future growth potential than it was pre-COVID.
- ARPB (Average Revenue Per Booking) is a non-GAAP measure. Serko uses this as a useful indicator of the revenue value per travel booking. It is calculated by taking total Recurring Product 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

FINANCIAL STATEMENTS

For the six month period ended
30 September 2020

serko

FY21 Interim Report

FINANCIAL STATEMENTS

CONTENTS

Consolidated statement of comprehensive income	4
Consolidated statement of changes in equity	5
Consolidated statement of financial position	6
Consolidated statement of cash flows	7
Notes to the financial statements	8

Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2020

	Notes	6 months Unaudited 30 Sep 2020 \$(000)	6 months Unaudited 30 Sep 2019 \$(000)	12 months Audited 31 Mar 2020 \$(000)
Revenue	2	5,061	14,671	25,869
Other income	2	3,472	541	922
Total income		8,533	15,212	26,791
Operating Expenses				
Selling and marketing expenses		(913)	(1,223)	(2,989)
Hosting expenses		(1,230)	(1,835)	(3,362)
Remuneration and benefits		(11,213)	(7,709)	(19,419)
Administration expenses		(4,494)	(4,299)	(10,266)
Fair value remeasurement on contingent consideration		-	(585)	(1,056)
Total operating expenses	3	(17,850)	(15,651)	(37,092)
Finance income		157	95	1,137
Finance expenses		(867)	(470)	(162)
Loss before income tax		(10,027)	(814)	(9,326)
Income tax expense		(84)	(52)	(38)
Net loss attributable to the shareholders of the company		(10,111)	(866)	(9,364)
Movement in foreign currency reserve		42	232	(11)
Total comprehensive loss for the year		(10,069)	(634)	(9,375)
Earnings per share				
Basic profit per share	11	(\$0.11)	(\$0.01)	(\$0.10)
Diluted profit per share	11	(\$0.11)	(\$0.01)	(\$0.11)

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020

	Notes	Share capital \$(000)	Share-based payment reserve \$(000)	Foreign currency reserve \$(000)	Accumulated losses \$(000)	Total \$(000)
Balance as at 1 April 2020		87,751	2,374	(222)	(26,119)	63,784
Net loss for the period		-	-	-	(10,111)	(10,111)
Other comprehensive income/(loss)*		-	-	42	-	42
Total comprehensive income/(loss) for the period		-	-	42	(10,111)	(10,069)
Transactions with owners						
Cost of equity issued	10	(3)	-	-	-	(3)
Shares allocated to employees	10	40	1,280	-	-	1,320
Shares forfeited from employees	10	-	(37)	-	-	(37)
Share-based payments – employee share options	10	35	22	-	-	57
Non-executive directors' shares in lieu of services	10	9	-	-	-	9
Balance as at 30 September 2020		87,832	3,639	(180)	(36,230)	55,061
Balance as at 1 April 2019		40,993	1,885	(211)	(16,432)	26,235
Net loss for the period		-	-	-	(866)	(866)
Adjustment on adoption of new IFRS16		-	-	-	(304)	(304)
Other comprehensive income/(loss)*		-	-	232	-	232
Total comprehensive income/(loss) for the period		-	-	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 2019		40,993	1,885	(211)	(16,432)	26,235
Net loss for the year		-	-	-	(9,364)	(9,364)
Adjustment on adoption of new IFRS16		-	-	-	(323)	(323)
Other comprehensive income/(loss)*		-	-	(11)	-	(11)
Total comprehensive income/(loss) for the year		-	-	(11)	(9,687)	(9,698)
Transactions with owners						
Issue of share capital		45,000	-	-	-	45,000
Cost of equity issued	10	(1,793)	-	-	-	(1,793)
Shares allocated to employees	10	353	682	-	-	1,035
Shares forfeited from employees	10	-	(17)	-	-	(17)
Share-based payments – employee share options	10	74	(133)	-	-	(59)
Non-executive directors settlement of non-recourse loan	10	243	(43)	-	-	200
Shares issued in respect of InterplX acquisition	10	2,881	-	-	-	2,881
Balance as at 31 March 2020		87,751	2,374	(222)	(26,119)	63,784

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

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 September 2020

	Notes	6 months Unaudited 30 Sep 2020 \$(000)	6 months Unaudited 30 Sep 2019 \$(000)	12 months Audited 31 Mar 2020 \$(000)
Current assets				
Cash at bank and on hand		31,504	10,253	42,391
Receivables	4	4,017	6,921	6,578
Income tax receivable		54	-	84
Derivative financial instruments	5	-	-	557
Total current assets		35,575	17,174	49,610
Non-current assets				
Property, plant and equipment	6	2,537	3,189	3,382
Intangible assets	7	23,089	16,457	20,110
Deferred tax asset		241	90	250
Total non-current assets		25,867	19,736	23,742
Total assets		61,442	36,910	73,352
Current liabilities				
Trade and other payables	8	4,372	5,827	7,073
Contingent consideration	15	-	2,410	-
Income tax payable		-	155	-
Interest-bearing loans and borrowings		61	61	58
Lease liabilities	9	1,002	977	1,280
Derivative financial instruments	5	236	328	-
Total current liabilities		5,671	9,758	8,411
Non-current liabilities				
Interest-bearing loans and borrowings		60	121	92
Lease liabilities	9	647	1,492	1,065
Total non-current liabilities		707	1,613	1,157
Total liabilities		6,378	11,371	9,568
Equity				
Share capital	10	87,832	40,993	87,751
Share-based payment reserve	10	3,639	2,127	2,374
Foreign currency reserve		(179)	21	(222)
Accumulated losses		(36,228)	(17,602)	(26,119)
Total equity		55,064	25,539	63,784
Total equity and liabilities		61,442	36,910	73,352

For and on behalf of the Board of Directors, who authorise these financial statements for issue on 18 November 2020

CLAUDIA BATTEN
CHAIRPERSON

DARRIN GRAFTON
CEO

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the six months ended 30 September 2020

	Notes	6 months Unaudited 30 Sep 2020 \$(000)	6 months Unaudited 30 Sep 2019 \$(000)	12 months Audited 31 Mar 2020 \$(000)
Cash flows from operating activities				
Receipts from customers		7,878	14,736	22,318
Interest received		157	95	418
Receipts from grants		3,023	541	649
Taxation (paid)/received		(57)	(135)	(529)
Payments to suppliers and employees		(16,603)	(13,210)	(26,275)
Interest payments		(52)	(69)	(126)
Net GST refunded (paid)		336	(25)	(244)
Net cash flows (used in)/from operating activities	12	(5,318)	1,933	(3,789)
Cash flows from investing activities				
Purchase of property, plant and equipment		(64)	(280)	(794)
Capitalised development costs and other intangible assets		(4,898)	(6,284)	(11,018)
Net cash flows (used in) investing activities		(4,962)	(6,564)	(11,812)
Cash flows from financing activities				
Issue of ordinary shares	10	35	-	45,000
Cost of new share issue	10	(3)	-	(1,793)
Payment of lease liabilities		(646)	(448)	(1,080)
Non-executive directors non-recourse loan		-	-	200
Net repayment of loans		(29)	(26)	(54)
Net cash flows (used in)/from financing activities		(643)	(474)	42,273
Net (decrease)/increase in total cash		(10,923)	(5,105)	26,672
Net foreign exchange difference		36	(374)	(13)
Cash and cash equivalents at beginning of period		42,391	15,732	15,732
Cash and cash equivalents at the end of the period		31,504	10,253	42,391
Cash and cash equivalents comprises the following:				
Cash at bank and on hand		31,504	10,253	42,391
		31,504	10,253	42,391

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the six months ended 30 September 2020

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial statements of Serko Limited ('the Company') and subsidiaries ('the Group') were authorised for issue in accordance with a Board resolution.

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) as an ASX Foreign Exempt Listing. 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 and Expense Management. 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) Accounting policies and disclosures

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 2020.

d) Comparatives

Certain comparative amounts have been reclassified to conform to the current interim report presentation.

2 REVENUE AND OTHER INCOME

	6 months Unaudited 30 Sep 2020 \$(000)	6 months Unaudited 30 Sep 2019 \$(000)	12 months Audited 31 Mar 2020 \$(000)
Revenue – transaction and usage fees:			
Travel platform booking revenue	2,159	9,243	16,307
Expense platform revenue	2,013	2,991	5,831
Supplier commissions revenue	210	837	1,427
Services revenue	454	1,358	1,819
Other revenue	225	242	485
Total revenue	5,061	14,671	25,869
Government grants – Covid-19 subsidies*	3,023	-	-
Government grants – other	449	541	922
Total other income	3,472	541	922
Total revenue and other income	8,533	15,212	26,791

	6 months Unaudited 30 Sep 2020 \$(000)	6 months Unaudited 30 Sep 2019 \$(000)	12 months Audited 31 Mar 2020 \$(000)
Geographic information			
Australia	3,359	10,366	18,218
New Zealand	377	1,376	2,465
US	1,231	2,712	4,823
Other	94	217	363
Total revenue	5,061	14,671	25,869

*The Group received Government Covid-19 subsidies in New Zealand, Australia and the US totalling NZD \$3.0 million of which NZD \$1,584,000 was received from the New Zealand government.

3 EXPENSES

	6 months Unaudited 30 Sep 2020 \$(000)	6 months Unaudited 30 Sep 2019 \$(000)	12 months Audited 31 Mar 2020 \$(000)
Operating profit before taxation includes the following expenses:			
Marketing expenses	499	736	1,469
Third party connection costs	150	217	885
Other selling costs	264	270	635
Total selling and marketing expenses	913	1,223	2,989
Hosting expenses	1,230	1,835	3,362
Employee remuneration	8,927	6,977	17,161
Contributions to pension plans	665	342	662
Share-based payment expenses	1,420	242	959
Other remuneration and benefits	201	148	637
Total remuneration and benefits	11,213	7,709	19,419
Auditor remuneration and other assurance fees*	83	86	153
Directors' fees	182	161	357
Expected credit loss allowance on receivables	(65)	-	237
Amortisation of intangibles	1,746	631	1,705
Depreciation	873	617	1,451
Rental and operating lease expenses	2	-	83
Professional fees	346	542	1,571
Computer licences	455	333	925
Other administration expenses	872	1,929	3,784
Total administration expenses	4,494	4,299	10,266
Fair value remeasurement of contingent consideration	-	585	1,056
Expenses from ordinary activities	17,850	15,651	37,092

*Other assurance services relate to review of the Group's compliance with Callaghan Innovation Grant requirements.

4 RECEIVABLES

	6 months Unaudited 30 Sep 2020 \$(000)	6 months Unaudited 30 Sep 2019 \$(000)	12 months Audited 31 Mar 2020 \$(000)
Trade receivables	1,960	3,050	4,049
Expected credit loss provision	(172)	(7)	(237)
Trade receivables (net)	1,788	3,043	3,812
GST receivable	139	254	473
Sundry debtors	19	98	34
Contract assets	1,333	2,374	1,368
Prepayments	726	1,110	845
Funds held in trust	12	42	46
Total receivables	4,017	6,921	6,578

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:

	6 months Unaudited 30 Sep 2020 \$(000)	6 months Unaudited 30 Sep 2019 \$(000)	12 months Audited 31 Mar 2020 \$(000)
Current:			
Foreign currency forward exchange contracts	(236)	(328)	557
Contractual amounts of forward exchange contracts outstanding were as follows:			
Foreign currency forward exchange contracts	8,315	18,856	18,819

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 and contract forward rates discounted at a rate that reflects the credit risk of the counterparties.

6 PROPERTY, PLANT AND EQUIPMENT

	6 months Unaudited 30 Sep 2020 \$ (000)	6 months Unaudited 30 Sep 2019 \$ (000)	12 months Audited 31 Mar 2020 \$ (000)
Opening balance	3,382	3,099	3,099
Additions	64	685	1,740
Disposals	-	-	(50)
Depreciation	(873)	(617)	(1,451)
Currency translation	(36)	22	44
Closing balance	2,537	3,189	3,382

7 INTANGIBLES

	6 months Unaudited 30 Sep 2020 \$ (000)	6 months Unaudited 30 Sep 2019 \$ (000)	12 months Audited 31 Mar 2020 \$ (000)
Opening balance	20,110	10,553	10,553
Additions	4,898	6,284	11,018
Disposals	-	-	(36)
Amortisation	(1,746)	(631)	(1,705)
Currency translation	(173)	251	280
Closing balance	23,089	16,457	20,110

8 TRADE AND OTHER PAYABLES

	6 months Unaudited 30 Sep 2020 \$ (000)	6 months Unaudited 30 Sep 2019 \$ (000)	12 months Audited 31 Mar 2020 \$ (000)
Trade payables	969	428	3,032
Accrued expenses	1,761	4,259	2,743
Annual leave accrual	1,642	1,140	1,298
Total trade and other payables	4,372	5,827	7,073
Disclosed as:			
Current	4,372	5,827	7,073
	4,372	5,827	7,073

9 LEASE LIABILITIES

Recognition and measurement of Serko leasing activities

Serko leases property for fixed periods of between one and six 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.

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.

The amortisation of the discount applied on recognition of the lease liability is recognised as interest expense in the income statement.

Key movements relating to lease balances are presented below.

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2020	30 Sep 2019	31 Mar 2020
	\$ (000)	\$ (000)	\$ (000)
Opening Balance	2,345	2,479	2,479
Leases entered into during the period	-	403	900
Principal repayments	(669)	(451)	(1,080)
Foreign exchange adjustment	(27)	38	46
Closing balance	1,649	2,469	2,345
Classified as:			
Current	1,002	977	1,280
Non-current	647	1,492	1,065
Closing balance	1,649	2,469	2,345

10 EQUITY

	6 months Unaudited 30 Sep 2020 \$(000)	6 months Unaudited 30 Sep 2019 \$(000)	12 months Audited 31 Mar 2020 \$(000)	6 months Unaudited 30 Sep 2020 NUMBER OF SHARES (000)	6 months Unaudited 30 Sep 2019 NUMBER OF SHARES (000)	12 months Audited 31 Mar 2020 NUMBER OF SHARES (000)
Ordinary shares						
Share capital at the beginning of the year	87,751	40,993	40,993	92,739	80,923	80,923
Issue of shares pursuant to institutional capital placement	-	-	40,000	-	-	9,900
Issue of shares pursuant to Share Purchase Plan (SPP) placement	-	-	5,000	-	-	1,238
Transaction costs for issue of new shares	(3)	-	(1,793)	-	-	-
Non-executive directors settlement of non-recourse loan	-	-	243	-	-	-
Shares issued in respect of directors' services	9	-	-	3	-	-
Issue of shares pursuant to US Options plan	35	-	74	13	-	25
Issue of shares pursuant to Restricted Share Units (RSU) scheme	40	-	353	10	-	79
Shares issued in respect of InterplX acquisition	-	-	2,881	-	-	574
Share capital	87,832	40,993	87,751	92,765	80,923	92,739
Share-based payment reserve						
Balance at 1 April	2,374	1,885	1,885	-	-	-
Shares allocated to employees	1,280	208	682	-	-	-
Shares forfeited from employees	(37)	(3)	(17)	-	-	-
Non-executive directors settlement of non-recourse loan	-	-	(43)	-	-	-
Share-based payments - employee share options	22	37	(133)	-	-	-
Share-based payment reserve	3,639	2,127	2,374	-	-	-

Subsequent to 30 September 2020, Serko issued additional shares in a capital raise which will have a material impact on share capital (see note 14).

11 EARNINGS PER SHARE (EPS)

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2020	30 Sep 2019	31 Mar 2020
	\$ (000)	\$ (000)	\$ (000)
Loss attributable to ordinary equity holders of the parent			
Continuing operations			
	(10,111)	(866)	(9,365)
	Number	Number	Number
Basic earnings per share			
Issued ordinary shares at the end of the period	92,765	80,923	92,739
Adjusted for employee restricted share plan shares	(1,607)	(2,587)	(1,919)
Weighted average of issued ordinary shares at the end of the period	91,158	78,336	90,820
Basic earnings per share (dollars) - weighted average	(0.11)	(0.01)	(0.10)
Diluted earnings per share			
Weighted average of issued ordinary shares at the end of the period	92,746	80,923	86,893
Weighted average of issued ordinary shares for diluted earnings per share	92,746	80,923	86,893
Diluted earnings per share (dollars) - weighted average	(0.11)	(0.01)	(0.11)
	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2020	30 Sep 2019	31 Mar 2020
	Cents	Cents	Cents
Net tangible assets per security	34.50	11.22	47.09

12 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	6 months Unaudited 30 Sep 2020 \$(000)	6 months Unaudited 30 Sep 2019 \$(000)	12 months Audited 31 Mar 2020 \$(000)
Net loss after tax	(10,111)	(866)	(9,364)
Add non-cash items			
Amortisation	1,746	631	1,705
Depreciation	873	617	1,451
Loss on property, plant and equipment disposal	-	-	50
Fair value remeasurement of contingent consideration	-	585	1,056
Deferred tax liability/(benefit)	9	6	(167)
Loss/(gain) on foreign exchange transactions	1,096	431	(370)
Share-based compensation	1,265	242	959
	(5,122)	1,646	(4,680)
Add/(less) movements in working capital items			
(Increase)/Decrease in receivables	2,561	(1,007)	(1,084)
Increase in trade and other payables	(2,702)	1,364	2,283
(Decrease)/increase in income tax	(55)	(70)	(308)
	(196)	287	891
Net cash flows (used in)/from operating activities	(5,318)	1,933	(3,789)

13 RELATED PARTIES

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	Unaudited	Audited	Unaudited	Unaudited	Audited
		30 Sep 2020	30 Sep 2019	31 Mar 2020	30 Sep 2020	30 Sep 2019	31 Mar 2020
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%	-	-	-
InterpIX Inc	31 March	100%	100%	100%	3,076	3,076	3,076
					3,079	3,079	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 Scheme in trust until vesting.

Serko India Private Limited was incorporated on 18 February 2015 as a subsidiary for the India-based operations. As of 1 January 2020, Serko India was non-trading.

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 2007 as a subsidiary for the US-based operations.

InterpIX Inc was acquired on 20 December 2018 and its principal business is the sale of Expense management solutions.

14 EVENTS AFTER BALANCE SHEET DATE

Subsequent to 30 September 2020, Serko issued 14,835,159 shares in a capital raise for gross proceeds of \$67,500,000. Net proceeds will be subject to finalisation of capital raise costs.

15 CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 September 2020 (30 September 2019: \$2,410,000).

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: investor.relations@serko.com

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

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

AUDITOR

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

serko

FY21 Interim Report
www.serko.com