

Market Release

23 November 2022

FY23 Half-Year Results Announcement

for the period ended 30 September 2022

Serko Limited (NZX:SKO) today announces its unaudited financial results for the six month period ended 30 September 2022.

Summary of Financial Results:^{1,2}

- Total income \$19.4 million, up 106%
- Segment revenue \$20.3 million, up 106%
- Average revenue per booking \$7.85, up 54%
- Total travel booking volumes 2.3 million, up 73%
- Completed room nights on Booking.com for Business 454,000, up 432%
- EBITDAF \$16.9 million, an increase of 44%
- Net losses after tax \$19.7 million, an increase of 30%
- Cash and short-term deposits \$102.9 million
- Average monthly cash burn \$3.6 million
- Serko targeting return to cashflow positive during FY25
- FY23 revenue guidance affirmed.

All dollar amounts are New Zealand dollars, unless otherwise stated.

Please find attached the following documents containing additional information:

- Market Release
- Results Announcement (NZX Appendix 2)
- Half Year Financial Statements
- Investor Presentation

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

Half-year Results Call

The half-year results will be discussed on a conference call at 11.00am (NZT) today.

To participate in the call dial one of the following numbers. The call confirmation code is 595514

Location	Purpose	Phone Type	Phone Number
New Zealand	Dial-in	Tollfree/Freephone	0800 423 972
New Zealand, Auckland	Dial-in	Local	+64 (0)9 9133 624
Australia	Dial-in	Tollfree/Freephone	1 800 590 693
Australia, Sydney	Dial-in	Local	+61 (0)2 7250 5438
Hong Kong, Hong Kong	Dial-in	Local	+852 5803 0798
Singapore	Dial-in	Tollfree/Freephone	800 120 7297
United Kingdom	Dial-in	Tollfree/Freephone	0800 358 6374
United Kingdom, Local	Dial-in	Local	+44 (0)330 165 3646
United States/Canada	Dial-in	Tollfree/Freephone	800-289-0459

Or click on the below link that will also take you to the conference call:

https://event.webcasts.com/starthere.jsp?ei=1579420&tp_key=e4c650ec1b

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

For and on behalf of Serko by Shane Sampson, Chief Financial Officer.

Ends

For further information:

Shane Sampson

Chief Financial Officer, Serko

+64 9 884 5916

investor.relations@serko.com

¹ Comparative numbers are for the prior comparative period (H1 FY22) unless otherwise stated. Certain comparative numbers have been reclassified see note 1 of the Financial Statements for details.

² See notes to this release for definitions of non-GAAP financial measures used through-out this release.

UNAUDITED FINANCIAL RESULTS FOR THE SIX MONTHS TO 30 SEPTEMBER 2022

RESULT REFLECTS FOCUS ON RECOVERY AND GROWTH

SUMMARY FINANCIAL RESULTS^{1,2}

- Total income \$19.4 million, up 106%
- Segment revenue \$20.3 million, up 106%
- Average revenue per booking \$7.85, up 54%
- Total travel booking volumes 2.3 million, up 73%
- Completed room nights on Booking.com for Business 454,000, up 432%
- EBITDAF \$16.9 million, an increase of 44%
- Net losses after tax \$19.7 million, an increase of 30%
- Cash and short-term deposits \$102.9 million
- Average monthly cash burn \$3.6 million
- Serko targeting return to cashflow positive during FY25
- FY23 revenue guidance affirmed.

All dollar amounts are New Zealand dollars unless otherwise stated

Serko Limited (NZX & ASX: SKO) today released its first half 2023 financial results, which demonstrate the benefits from the ongoing business travel recovery and its investment decisions made during the pandemic. Serko has also seen strong growth in completed room nights under its partnership with Booking.com following changes made during the period.

Serko Chief Executive and Co-Founder, Darrin Grafton, said: "The half-year result reflects our earlier decisions and investments to maximise opportunities during the business travel recovery and achieve new growth. Total income and segment revenue both increased 106%.

"Strong first-half revenue was underpinned by the recovery in Australia and New Zealand and a significant uplift in Booking.com for Business completed room nights. Total travel booking volumes rose 73% to 2.3 million from 1.3 million and online travel bookings increased 75% to 2 million from 1.1 million.

"EBITDAF losses increased by 44% to \$16.9 million from \$11.8 million and net losses after tax increased by 30% to \$19.7 million from \$15.2 million. This is in line with our expectations and reflects planned operating expenditure.

"Product design and development costs totalled \$19.8 million during the period (\$10.4 million in 1H FY22) net of capitalisation of \$5.5 million (\$7.2 million in 1H FY22).

"Our cash position at the end of the half was \$102.9 million. This will enable us to invest for future growth, supported by our improving revenue position. Our net cash burn averaged \$3.6 million per month for the half year, in line with our expectations.

"In the second half, we will continue to focus on disciplined delivery to achieve our goals for FY23 and beyond. This will include planned and focused product and development expenditure to achieve benefits in the short and longer-term."

¹ Comparative numbers are for the prior comparative period (H1 FY22) unless otherwise stated. Certain comparative numbers have been reclassified see note 1 of the Financial Statements for details.

² See notes to this release for definitions of non-GAAP financial measures used through-out this release.

MANAGED TRAVEL

Mr Grafton said: "We have seen continued strong demand and recovery for business travel in Australia and New Zealand. We have also won new business, which will provide further revenue growth following the completion of onboarding. In these important markets, we are focused on continuing to understand the changing needs of our travel management partners and travel customers to enable us to deliver exceptional products and technology.

"For the Australasian region as a whole, average volumes in the first quarter were 91% of pre-COVID 19 levels and 93% in the second quarter.

"In New Zealand, volumes at the end of September were 145% of pre-COVID levels, averaging 142% for the half year. This was an increase from 47% of pre-COVID levels at the end of September 2021, a period following the imposition of strict lockdowns in August 2021.

"In Australia, volumes at the end of September were 89% of pre-COVID levels, averaging 84% for the half year. This was an increase of 32 percentage points from the average over the six months to 30 September 2021 of 52%.

"North America remains a strategic focus for Serko. As outlined at the annual meeting, the North American market is a long-term opportunity and Serko is working closely with its key travel management partners to grow the market."

UNMANAGED TRAVEL

Mr Grafton said: "We have seen a strong increase in Booking.com for Business completed room nights during the first half, assisted by the changes implemented during the period. We remain focused on working with Booking.com to achieve continued growth in conversions and revenue. Completed room nights increased to 454,000 from 85,000, an increase of 432%. Average Revenue per Completed Room Night (ARPCRN) for the service was €10.10 over the half year, up from €6.61 over the six months to 30 September 2021.

"We are on track with delivery of a new hotel shop experience for Booking.com for Business customers as communicated at the recent annual meeting. We continue to make strong progress towards our joint objectives. Both teams are working closely together to develop the technology and insights for the success of the partnership.

"The number of businesses registered on Booking.com for Business continued to increase during the period to 484,000 at 30 September 2022, up from 420,000 in May 2022."

OUTLOOK

Serko's first half total income exceeded the full year to 31 March 2022 with a strong exit rate from the half. Serko notes that historically second half revenue is lower than the first half.

Serko is affirming its FY23 guidance of approximately doubling FY22 revenue.

Guidance remains subject to ongoing risks including geo-political and macro-economic uncertainty and the potential resurgence of COVID.

Serko has significant cash reserves and is tightly managing investment levels with a focus on moving towards profitability and cashflow breakeven. It is Serko's intention, based on current market conditions, to

return to a cashflow positive position during the FY25 financial year with appropriate cash reserves on hand at the point of breakeven.

Released for and on behalf of Serko Limited by:
Shane Sampson
Chief Financial Officer

INVESTOR CALL

Serko Chief Executive Darrin Grafton and Chief Financial Officer Shane Sampson will host a conference call and webcast at 11am (NZT) this morning to discuss the results.

Details of the call are available on serko.com/investors. A webcast of the call can also be accessed at the following link:

https://event.webcasts.com/starthere.jsp?ei=1579420&tp_key=e4c650ec1b

For further information:

Investor relations:

Shane Sampson
Chief Financial Officer
+64 9 884 5916
investor.relations@serko.com

Media:

Coran Lill
The Project
+64 27 342 3836
coran@theproject.co.nz

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. Listed on the New Zealand Stock Exchange Main Board (NZX: SKO) and Australian Securities Exchange (ASX: SKO), Serko is headquartered in New Zealand, with offices across Australia, China, and the United States. 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 considered useful to provide information to investors to assess business performance. Reconciliation of non-GAAP to GAAP measures can be found in the Financial Statements and Investor Presentation.

- **Average Revenue Per Booking (ARPB)** is a non-GAAP measure. Serko uses this as a useful indicator of the revenue value per travel booking. ARPB for travel-related revenue is calculated as travel-related revenue divided by the total number of online bookings.
- **ARPCRN or Average Revenue per Completed Room Night** (a non-GAAP measure) is the supplier commissions revenue per completed room night for revenue generating hotel transactions.
- **Completed room nights** is a non-GAAP measure comprising the number of hotel room nights which have been booked and the traveller has completed the stay at the hotel.
- **EBITDAF** is a non-GAAP measure representing Earnings Before the deduction of costs relating to Interest, Taxation, Depreciation, Amortisation, Foreign Currency (Gains)/Losses and Fair value measurement. See the Investor Presentation for a reconciliation to Net loss after tax.
- **Operating expenses** is a non-GAAP measure comprising expenses excluding costs relating to taxation, interest, depreciation, amortisation, finance expenses and foreign exchange gains and losses.
- **Product design and development costs** is a non-GAAP measure representing the internal and external costs related to the design, development and maintenance of Serko's platforms that are included within operating expenses or capitalised but excludes amortisation.
- **Segment revenue** is a non-GAAP measure representing Total Income before it is reduced to reflect consideration payable to customers. In the period, consideration payable to customers comprised Serko's share of jointly agreed marketing expenses. See note 2 of the Financial Statements for a reconciliation to Total income.
- **Travel related revenue** is a non-GAAP measure comprising travel platform booking revenue and supplier commissions revenue, as set out in note 2 to the Financial Statements.
- **Total travel bookings** include both online and offline bookings. Offline bookings are system automated bookings.

RESULTS ANNOUNCEMENT

23 November 2022

Results for announcement to the market

Name of issuer	Serko Limited ("SKO")	
Reporting Period	6 months to 30 September 2022	
Previous Reporting Period	6 months to 30 September 2021	
Currency	New Zealand Dollars	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$19,439	Up 106%
Total Revenue	\$19,439	Up 106%
Net profit/(loss) from continuing operations	(\$19,733)	Increase of 30%
Total net profit/(loss)	(\$19,733)	Increase of 30%
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	84.73 cents	57.68 cents
A brief explanation of any of the figures above necessary to enable the figures to be understood	<p>Please refer to the market release and unaudited interim financial statements released in conjunction with this announcement.</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>	

Authority for this announcement	
Name of person authorised to make this announcement	Shane Sampson
Contact person for this announcement	Shane Sampson, CFO
Contact phone number	+64 9 884 5916
Contact email address	investor.relations@serko.com
Date of release through MAP	23/11/2022

Unaudited financial statements for the six months ended 30 September 2022 accompany this announcement.

Serko Limited, Saatchi Building, Unit 14D 125 The Strand, Parnell, Auckland, New Zealand
 PO Box 47-638, Ponsonby, T: +64 9 309 4754, F: +64 9 377 0545, investor.relations@serko.com
 Incorporated in New Zealand ARBN 611 613 980

FINANCIAL STATEMENTS

For the six months ended
30 September 2022

serko

FY23 Interim Report

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Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2022

	Notes	6 months Unaudited 30 Sep 2022 \$ (000)	6 months Unaudited 30 Sep 2021 \$ (000)	12 months Audited 31 Mar 2022 \$ (000)
Revenue	2	18,785	8,724	17,855
Other income	2	654	728	1,019
Total income		19,439	9,452	18,874
Operating Expenses				
Selling and marketing expenses		(2,741)	(1,477)	(3,087)
Hosting expenses		(3,242)	(2,269)	(4,932)
Remuneration and benefits		(26,313)	(14,878)	(32,074)
Administration expenses		(4,046)	(2,588)	(6,926)
Amortisation and depreciation		(5,985)	(3,663)	(8,038)
Total operating expenses	3	(42,327)	(24,875)	(55,057)
Loss before finance items		(22,888)	(15,423)	(36,183)
Foreign exchange gains/(losses) – net		2,302	154	(35)
Finance income		1,141	163	696
Finance expenses		(144)	(57)	(118)
Loss before income tax		(19,589)	(15,163)	(35,640)
Income tax expense		(144)	-	(319)
Net loss attributable to the shareholders of the company		(19,733)	(15,163)	(35,959)
Movement in foreign currency reserve		(840)	(162)	(57)
Total comprehensive loss for the period		(20,573)	(15,325)	(36,016)
Earnings per share				
Basic and diluted earnings/(loss) per share (dollars)	11	(0.17)	(0.14)	(0.33)

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2022

	Notes	Share capital \$ (000)	Share-based payment reserve \$ (000)	Foreign currency reserve \$ (000)	Accumulated losses \$ (000)	Total \$ (000)
Balance as at 1 April 2022		235,101	7,483	(236)	(91,467)	150,881
Net loss for the period		-	-	-	(19,733)	(19,733)
Other comprehensive income/(loss)*		-	-	(840)	-	(840)
Total comprehensive income/(loss) for the period		-	-	(840)	(19,733)	(20,573)
Transactions with owners						
Equity-settled share-based payments		2,741	743	-	-	3,484
Balance as at 30 September 2022	10	237,842	8,226	(1,076)	(111,200)	133,792
Balance as at 1 April 2021		153,706	4,509	(179)	(55,508)	102,528
Net loss for the period		-	-	-	(15,163)	(15,163)
Other comprehensive income/(loss)*		-	-	(162)	-	(162)
Total comprehensive income/(loss) for the period		-	-	(162)	(15,163)	(15,325)
Transactions with owners						
Equity-settled share-based payments		905	550	-	-	1,455
Shares vested with employees via Restricted Share Plan		-	80	-	-	80
Shares forfeited by employees via Restricted Share Plan		-	(3)	-	-	(3)
Non-executive directors' settlement of non-recourse loan		247	(47)	-	-	200
Balance as at 30 September 2021		154,858	5,089	(341)	(70,671)	88,935
Balance as at 1 April 2021		153,706	4,509	(179)	(55,508)	102,528
Net loss for the year		-	-	-	(35,959)	(35,959)
Other comprehensive income/(loss)*		-	-	(57)	-	(57)
Total comprehensive income/(loss) for the year		-	-	(57)	(35,959)	(36,016)
Transactions with owners						
Issue of share capital		83,281	-	-	-	83,281
Cost of equity issued		(3,188)	-	-	-	(3,188)
Equity-settled share-based payments		1,055	2,929	-	-	3,984
Shares vested with employees via Restricted Share Plan		-	95	-	-	95
Shares forfeited by employees via Restricted Share Plan		-	(3)	-	-	(3)
Non-executive director's settlement of non-recourse loan		247	(47)	-	-	200
Balance as at 31 March 2022		235,101	7,483	(236)	(91,467)	150,881

* 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 2022

	Notes	6 months Unaudited 30 Sep 2022 \$ (000)	6 months Unaudited 30 Sep 2021 \$ (000)	12 months Audited 31 Mar 2022 \$ (000)
Current assets				
Cash at bank and on hand		17,867	52,346	34,513
Short-term deposits		85,000	10,000	90,000
Receivables	4	13,208	6,298	6,226
Income tax receivable		-	13	-
Derivative financial instruments	5	-	153	-
Total current assets		116,075	68,810	130,739
Non-current assets				
Property, plant and equipment	6	3,855	2,360	4,319
Intangible assets	7	32,832	27,343	32,058
Deferred tax asset		224	111	75
Total non-current assets		36,911	29,814	36,452
Total assets		152,986	98,624	167,191
Current liabilities				
Trade and other payables	8	13,695	7,634	11,308
Deferred income		1,126	266	1,008
Interest-bearing loans and borrowings		-	63	28
Lease liabilities	9	1,448	894	820
Derivative financial instruments	5	375	-	16
Income tax payable		347	-	120
Total current liabilities		16,991	8,857	13,300
Non-current liabilities				
Deferred income		895	662	853
Lease liabilities	9	1,308	170	2,157
Total non-current liabilities		2,203	832	3,010
Total liabilities		19,194	9,689	16,310
Equity				
Share capital	10	237,842	154,858	235,101
Share-based payment reserve	10	8,226	5,089	7,483
Foreign currency reserve		(1,076)	(341)	(236)
Accumulated losses		(111,200)	(70,671)	(91,467)
Total equity		133,792	88,935	150,881
Total equity and liabilities		152,986	98,624	167,191

For and on behalf of the Board of Directors, who authorise these financial statements for issue on 23 November 2022



Claudia Batten
Chair



Jan Dawson
Chair of Audit and Risk Committee

Consolidated Statement of Cash Flows

For the six months ended 30 September 2022

	Notes	6 months Unaudited 30 Sep 2022 \$ (000)	6 months Unaudited 30 Sep 2021 \$ (000)	12 months Audited 31 Mar 2022 \$ (000)
Cash flows from operating activities				
Receipts from customers		16,735	9,957	22,878
Receipts from government grants - Covid-19 subsidies		-	511	962
Interest received		38	188	228
Receipts from other grants		-	795	856
Taxation (paid)/refunded		(34)	26	(44)
Payments to suppliers and employees		(34,613)	(21,673)	(43,637)
Interest payments on lease liabilities		(51)	(28)	(69)
Net GST refunded		973	403	370
Net cash flows (used in)/from operating activities	12	(16,952)	(9,821)	(18,456)
Cash flows from investing activities				
Purchase of property, plant and equipment		(226)	(372)	(774)
Capitalised development costs and other intangible assets		(4,794)	(6,951)	(15,320)
Short-term deposits		5,000	35,000	(45,000)
Net cash flows (used in)/from investing activities		(20)	27,677	(61,094)
Cash flows from financing activities				
Issue of ordinary shares		28	3	83,281
Cost of new share issue		-	-	(3,188)
Payment of lease liabilities		(464)	(509)	(1,064)
Non-executive directors non-recourse loan		-	200	200
Net repayment of loans		(23)	(27)	(62)
Net cash flows (used in)/from financing activities		(459)	(333)	79,167
Net (decrease)/increase in total cash		(17,431)	17,523	(383)
Net foreign exchange difference		785	(96)	(23)
Cash and cash equivalents at beginning of period		34,513	34,919	34,919
Cash and cash equivalents at the end of the period		17,867	52,346	34,513
Cash and cash equivalents comprises the following:				
Cash at bank and on hand		17,867	52,346	34,513
		17,867	52,346	34,513

Notes to the Financial Statements

For the six months ended 30 September 2022

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim consolidated financial statements ('Interim 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 Group provides online business travel booking software solutions and is headquartered in Auckland, New Zealand.

b) Basis of preparation

These Interim Financial Statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and comply with NZ 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 Interim 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 2022.

d) Comparatives

Certain comparative expenses and revenue have been reclassified in the prior period Interim Financial Statements to be consistent with the classifications adopted in the audited Financial Statements for the year to 31 March 2022. Revenue has been reclassified by an amount equal to the consideration payable to customers, which was previously classified under selling and marketing expenses.

2 REVENUE AND OTHER INCOME

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2022	30 Sep 2021	31 Mar 2022
	\$ (000)	\$ (000)	\$ (000)
Revenue – transaction and usage fees:			
Travel platform booking revenue	8,438	4,878	9,042
Expense platform revenue	2,474	1,966	4,039
Supplier commissions revenue	7,211	930	3,447
Services revenue	494	791	1,007
Other revenue	168	159	320
Total revenue	18,785	8,724	17,855
Government grants	654	723	1,006
Other	-	5	13
Total other income	654	728	1,019
Total revenue and other income	19,439	9,452	18,874

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2022	30 Sep 2021	31 Mar 2022
	\$ (000)	\$ (000)	\$ (000)
Geographic information			
Australia	9,102	5,614	10,686
New Zealand	1,179	1,045	1,539
US	1,589	1,342	2,597
Europe and Other	6,915	723	3,033
Total revenue	18,785	8,724	17,855

Segment revenue

The Board and Executive team monitor the results of the Group's operations as a whole for the purpose of making decisions about resource allocation and performance assessment and therefore the Board has determined the Group is a single reportable operating segment. This reporting segment is predominantly made up of revenue generated from transaction and usage fees, which includes Travel platform bookings, supplier commissions and Expense revenue.

Serko evaluates the performance of the operating segment based on revenue before consideration payable to customers.

As required by IFRS 15 Serko reduces revenue by the amount of consideration payable to customers. In the period the consideration payable to customers comprised Serko's share of jointly agreed marketing expenses. The marketing expenses are not set by reference to the amount of revenue received from the customer.

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2022	30 Sep 2021	31 Mar 2022
	\$ (000)	\$ (000)	\$ (000)
Revenue – transaction and usage fees:			
Travel platform booking revenue	8,438	4,878	9,042
Expense platform revenue	2,474	1,966	4,039
Supplier commissions revenue	8,097	1,356	4,358
Services revenue	494	791	1,007
Other revenue	168	159	320
Other income	654	728	1,019
Segment revenue	20,325	9,878	19,785
Consideration payable to customers	(886)	(426)	(911)
Total revenue and other income in accordance with NZ GAAP	19,439	9,452	18,874

3 EXPENSES

	6 months Unaudited 30 Sep 2022 \$ (000)	6 months Unaudited 30 Sep 2021 \$ (000)	12 months Audited 31 Mar 2022 \$ (000)
Operating profit before taxation includes the following expenses:			
Marketing expenses	922	638	1,536
Third party connection costs	949	431	894
Other selling costs	870	408	657
Total selling and marketing expenses	2,741	1,477	3,087
Hosting expenses	3,242	2,269	4,932
Employee remuneration	21,652	12,725	26,059
Contributions to pension plans	851	357	1,303
Share-based payment expenses	3,462	1,525	4,095
Other remuneration and benefits	348	271	617
Total remuneration and benefits	26,313	14,878	32,074
Auditor remuneration and other assurance fees	127	152	275
Directors' fees	234	218	493
Movement of expected credit loss allowance on receivables	87	56	(23)
Bad debts written off	4	53	195
Rental and operating lease expenses	104	43	172
Professional fees	834	180	1,618
Computer licences	669	578	1,306
Insurance costs	484	272	705
Recruitment fees	267	173	365
Donations	-	-	1
Other administration expenses	1,236	863	1,819
Total administration expenses	4,046	2,588	6,926
Amortisation of intangibles	5,041	2,852	6,386
Depreciation	944	811	1,652
Total amortisation and depreciation	5,985	3,663	8,038
Expenses from ordinary activities	42,327	24,875	55,057

4 RECEIVABLES

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2022	30 Sep 2021	31 Mar 2022
	\$ (000)	\$ (000)	\$ (000)
Trade receivables	3,641	2,054	2,354
Expected credit loss provision	(283)	(130)	(192)
Trade receivables (net)	3,358	1,924	2,162
GST receivable	547	262	312
Sundry debtors	43	36	66
Contract assets	7,357	2,370	2,373
Prepayments	1,903	1,706	1,313
Total receivables	13,208	6,298	6,226

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	6 months Unaudited	12 months Audited
	30 Sep 2022	30 Sep 2021	31 Mar 2022
	\$ (000)	\$ (000)	\$ (000)
Current:			
Foreign currency forward exchange contracts: asset/(liability)	(375)	153	(16)
Contractual amounts of forward exchange contracts outstanding were as follows:			
Foreign currency forward exchange contracts	23,530	6,607	2,853

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	6 months Unaudited	12 months Audited
	30 Sep 2022	30 Sep 2021	31 Mar 2022
	\$ (000)	\$ (000)	\$ (000)
Opening balance	4,319	2,568	2,569
Additions	433	598	3,402
Depreciation	(944)	(811)	(1,652)
Currency translation	47	5	-
Closing balance	3,855	2,360	4,319

7 INTANGIBLES

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2022	30 Sep 2021	31 Mar 2022
	\$ (000)	\$ (000)	\$ (000)
Opening balance	32,058	23,304	23,304
Additions	4,795	6,951	15,320
Amortisation	(5,041)	(2,852)	(6,386)
Currency translation	1,020	(60)	(180)
Closing balance	32,832	27,343	32,058

8 TRADE AND OTHER PAYABLES

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2022	30 Sep 2021	31 Mar 2022
	\$ (000)	\$ (000)	\$ (000)
Trade payables	1,776	1,580	1,945
Other payables	5,135	426	3,376
Accrued expenses	3,753	2,962	3,628
Annual leave accrual	3,031	2,666	2,359
Total trade and other payables	13,695	7,634	11,308
Disclosed as:			
Current	13,695	7,634	11,308
Non-Current	-	-	-
	13,695	7,634	11,308

9 LEASE LIABILITIES

Recognition and measurement of The Group's leasing activities

The Group 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 The Group 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 2022	30 Sep 2021	31 Mar 2022
	\$ (000)	\$ (000)	\$ (000)
Opening Balance	2,977	1,407	1,407
Leases entered into during the period	216	226	2,628
Principal repayments	(464)	(570)	(1,064)
Foreign exchange adjustment	27	1	6
Closing balance	2,756	1,064	2,977
Classified as:			
Current	1,448	894	820
Non-current	1,308	170	2,157
Closing balance	2,756	1,064	2,977

10 EQUITY

	6 months Unaudited	6 months Unaudited	12 months Audited	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2022	30 Sep 2021	31 Mar 2022	30 Sep 2022	30 Sep 2021	31 Mar 2022
	\$ (000)	\$ (000)	\$ (000)	NO. OF SHARES (000)	NO. OF SHARES (000)	NO. OF SHARES (000)
Ordinary shares						
Balance at 1 April	235,101	153,706	153,706	119,921	107,822	107,822
Issue of shares pursuant to institutional capital placement	-	-	75,000	-	-	10,638
Issue of shares pursuant to Share Purchase Plan (SPP) placement	-	-	8,281	-	-	1,209
Transaction costs for issue of new shares	-	-	(3,188)	-	-	-
Non-executive director's settlement of non-recourse loan	-	247	247	-	-	-
Issue of shares pursuant to US Options plan	21	4	4	8	1	1
Issue of shares pursuant to RSU scheme	2,720	901	1,051	494	215	251
Share capital	237,842	154,858	235,101	120,423	108,038	119,921
Share-based payment reserve						
Balance at 1 April	7,483	4,509	4,509			
RSUs allocated to employees	3,465	1,402	4,051			
Shares vested to employees via RSU scheme	(2,479)	(869)	(1,051)			
RSUs forfeited by employees	(256)	(15)	(108)			
Shares vested to employees via RSP	-	80	95			
Shares forfeited by employees via RSP	-	(3)	(3)			
Non-executive director's settlement of non-recourse loan	-	(47)	(47)			
Share-based payments - employee share options	13	32	37			
Share-based payment reserve	8,226	5,089	7,483			

11 EARNINGS PER SHARE

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2022	30 Sep 2021	31 Mar 2022
	\$ (000)	\$ (000)	\$ (000)
Loss attributable to ordinary equity holders of the parent			
Continuing operations	(19,733)	(15,163)	(35,959)
	(19,733)	(15,163)	(35,959)
	Number	Number	Number
Basic earnings per share			
Issued ordinary shares	120,423	108,038	119,921
Weighted average of issued ordinary shares	120,268	107,889	111,839
Adjusted for unallocated employee restricted share plan shares	(1,264)	(1,290)	(1,264)
Weighted average of issued ordinary shares outstanding	119,004	106,599	110,575
Basic and diluted earnings/(loss) per share (dollars)	(0.17)	(0.14)	(0.33)

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2022	30 Sep 2021	31 Mar 2022
	Cents	Cents	Cents
Net tangible assets per security	84.73	57.68	100.14

Net tangible assets per security is a non-GAAP measure and is provided for NZX reporting purposes. Net tangible assets per security is calculated as Total assets less Total liabilities less Intangible assets divided by the issued ordinary shares (excluding treasury shares).

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

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2022	30 Sep 2021	31 Mar 2022
	\$ (000)	\$ (000)	\$ (000)
Net loss after tax	(19,733)	(15,163)	(35,959)
Add non-cash items			
Amortisation	5,041	2,852	6,386
Depreciation	944	811	1,652
Deferred tax liability	(149)	-	41
(Gain) / loss on foreign exchange transactions	(2,297)	(355)	27
Share-based compensation	3,450	1,525	4,076
	(12,744)	(10,330)	(23,777)
Add/(less) movements in working capital items			
(Increase) / decrease in receivables	(6,982)	(905)	(833)
Increase / (decrease) in trade and other payables	2,547	1,420	127
Increase / (decrease) in income tax	227	(6)	6,027
	(4,208)	509	5,321
Net cash flows used in operating activities	(16,952)	(9,821)	(18,456)

13 EVENTS AFTER BALANCE SHEET DATE

There were no significant events between the balance sheet date and the date these financial statements were authorised for issue.

14 CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 September 2022 (30 September 2021: \$nil).

Company Directory

Registered Office

New Zealand

Saatchi Building
Level 1, 125 The Strand
Parnell, 1010
+64 9 309 4754

Australia

Boardroom Pty Limited
Level 8, 210 George Street
Sydney 2000
NSW, Australia
+61 2 9290 9637

Principal Administration Office

New Zealand

Saatchi Building
Level 1, 125 The Strand
Parnell, 1010
+64 9 309 4754

Share Registrar

New Zealand

Link Market Services Limited
Level 30, PwC Tower
15 Customs Street West
Auckland 1010, 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 (Chair)
Jan Dawson
Robert (Clyde) McConaghy
Darrin Grafton
Robert (Bob) Shaw

Auditor

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

The logo for serko, featuring the word "serko" in a lowercase, blue, sans-serif font.

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

serko

FY23 Interim Report
www.serko.com



Financial Results for the six months to 30 September 2022
Investor Presentation 23 November 2022

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
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- 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.

Contents

1H FY23 Highlights

Strategic Priorities

Financial Update

Outlook



Darrin Grafton
CEO



Shane Sampson
CFO

1H FY23 Highlights

Result reflects focus on recovery and growth

- Benefits from the ongoing business travel recovery and from our investment decisions during the pandemic.
- Total income and segment revenue both increased 106%. This was underpinned by the business travel recovery and a significant uplift in Booking.com for Business completed room nights, following changes made during the period.
- Planned increases in investments for future growth were reflected in EBITDAF and net losses after tax (up 44% and 30%).
- Serko team remains laser-focused on execution and achieving our goals.

Notes:

Refer to Appendix for definitions and descriptions of the non-GAAP measures used by management throughout this presentation. Comparative numbers are for the prior comparative period (H1 FY22) unless otherwise stated.



FY23: Focus on recovery and growth

Performance compared to six months to 30 September 2021

REVENUE

106% ▲
Total
income

\$19.4
Total income
from all sources
including grants

106% ▲
Segment
revenue

\$20.3m
Segment revenue¹

COSTS

70% ▲
Operating
expenses

\$42.3m
Operating expenses

PROFIT (LOSS)

\$(19.7m) ▲
Net loss
after tax

\$(16.9m)
EBITDAF¹ loss

BALANCE SHEET

\$102.9m ▲
Cash
on hand

\$3.6m
Avg. cash burn / month
For the 6 months to
30 September 2022

Progress against our FY25 goals

3yr Strategic Goals

1

Customer success

Deliver exceptional customer experience (CX) through experimentation-driven development

FY23 Objectives

Product health foundations

Increase customer satisfaction by continuing to enhance the performance and usability of our products

2

Unmanaged revenue

Establish significant market share in unmanaged travel market

Conversion

Grow revenue from the unmanaged travel segment by focusing on customer conversion

3

Managed revenue

Consistently grow market share in global managed travel market through TMC partnerships and inorganic growth

Retain and grow

Scale growth in North America and extend our leadership in the Australia and New Zealand markets

4

Marketplace and content

Commercialise connected trip experience through an open platform

Platform foundations

Build the marketplace foundations through technology enablement of open integration platform

5

Culture

Develop a culture of engaged Serkodians aligned to our purpose, mission and values

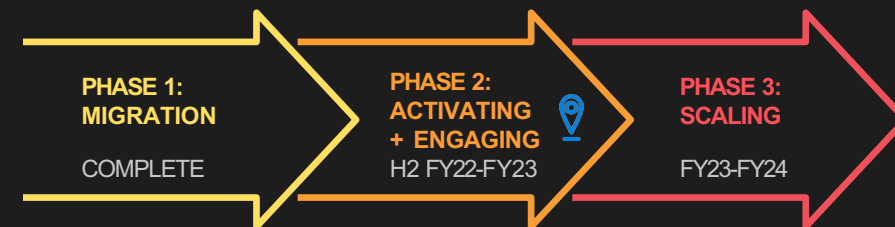
Organisational alignment

Maximise alignment across our teams and minimise friction for our customers to increase organisational efficiency

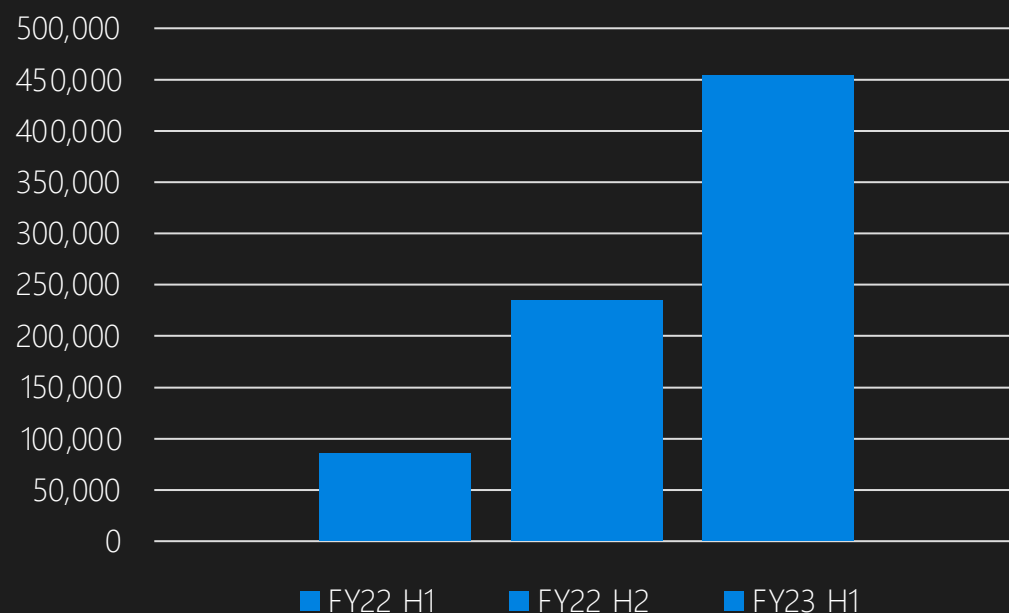
2

Unmanaged revenue

Encouraging increase in completed bookings



Booking.com for Business Completed Room Nights



- Booking for Business completed room nights increased to 454,000 from 85,000, an increase of 432% over the prior comparative period, assisted by the changes implemented during the period.
- Rooms booked on Booking.com for Business increased from 121,000 to 208,000.
- At 30 September there were 484,000 businesses registered on the platform, up from 420,000 in May 2022.¹
- Serko is on track with building the hotel shop experience for Booking.com for Business customers as communicated at the recent annual meeting.

1. We expect SME business booking behaviors will be different from our enterprise customers. It is uncertain when, and how often, migrated (also referred to as activated) customers and new sign-ups will transact, particularly during COVID-affected periods and as a result of intermittent travel needs of SME's. There is no guarantee that migrated/activated customers, or new sign-ups, will make bookings in the current financial period or at all.

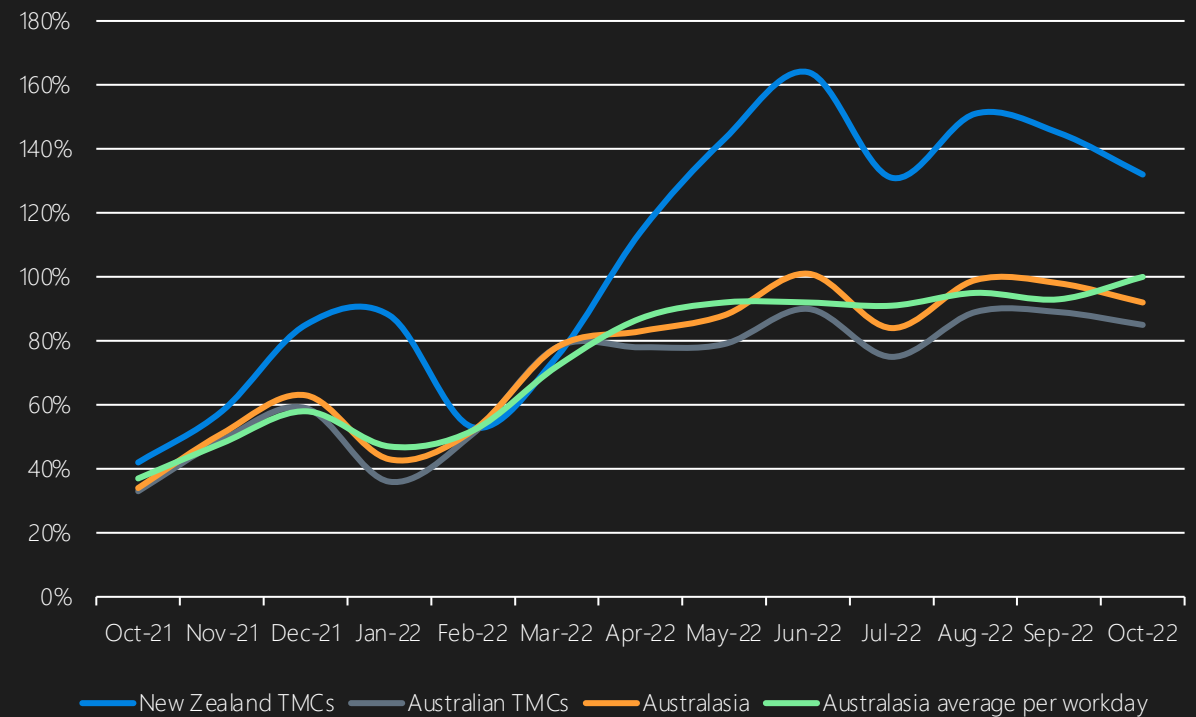
3

Managed revenue

Continued strong demand for business travel

- For Australasia, average volume in the first quarter was 91% of pre-COVID 19 levels and 93% in the second quarter.
- In New Zealand, volumes at the end of September were 145% of pre-COVID levels, averaging 142% for the half year.
- In Australia, volumes at the end of September were 89% of pre-COVID levels, averaging 84% for the half year.
- North America remains a strategic focus for Serko. Serko is working closely with partners to grow the market.

Australasia total bookings as % of pre-Covid-19*



* Percentages are measured against the same month in 2019 to reflect pre-Covid-19 volumes.

Financial Update

Unaudited financial results for the six months to 30 September 2022

Net Profit Summary/ EBITDAF Reconciliation

- Total income for the half exceeded FY22 full year.
- Operating expense growth was partially driven by non-cash items.
- The foreign exchange gain primarily relates to revaluation of intercompany balances as a result of currency movements.
- The EBITDAF loss grew as Serko continued to increase investment for future growth.

Net Profit Summary EBITDA Reconciliation	FY23H1 6 months \$'m	FY22H1 6 months \$'m	change \$'m	change %	FY22 Full Year \$'m
Revenue	18.8	8.7	10.1	115%	17.9
Other income (including Grants)	0.7	0.7	(0.1)	(10%)	1.0
Total income	19.4	9.5	10.0	106%	18.9
Operating expenses	(42.3)	(24.9)	(17.5)	70%	(55.1)
Percentage of revenue	(225%)	(285%)			(308%)
Foreign exchange gains/(losses)	2.3	0.2	2.1	1395%	(0.0)
Net finance (expense)/income	1.0	0.1	0.9	841%	0.6
Net (loss) before tax	(19.6)	(15.2)	(4.4)	29%	(35.6)
Percentage of revenue	(104%)	(174%)			(200%)
Income tax benefit/(expense)	(0.1)	0.0	(0.1)	nm ¹	(0.3)
Net (loss) after tax	(19.7)	(15.2)	(4.6)	30%	(36.0)
Net finance expense/(income)	(1.0)	(0.1)	(0.9)	841%	(0.6)
Add back: income tax	0.1	0.0	0.1	nm ¹	0.3
Add back: depreciation and amortisation	6.0	3.7	2.3	64%	8.0
Add back: net foreign exchange (gains)/losses	(2.3)	(0.2)	(2.1)	1396%	0.0
EBITDAF (loss)	(16.9)	(11.8)	(5.1)	44%	(28.1)
EBITDAF (loss) margin	(90%)	(135%)			(158%)

¹ nm stands for not meaningful

Revenue Analysis

- Segment revenue is presented to provide visibility of both the underlying growth in supplier commissions and the amount contributed to marketing the Booking.com for Business service.
- Growth in ARPB is driven by an increased ARPCR for supplier commissions revenue and an increase in the proportion of supplier commissions revenue as a proportion of total revenue, both driven by Booking.com for Business.
- The ARPCR for Booking.com for Business transactions was €10.10 (€6.61 FY22H1).

Revenue and Other Income	FY23H1	FY22H1	change	change	FY22
by Type	6 months	6 months			Full Year
	\$'m	\$'m	\$'m	%	\$'m
Revenue – transaction and usage fees:					
Travel platform booking revenue	8.4	4.9	3.6	73%	9.0
Expense platform revenue	2.5	2.0	0.5	26%	4.0
Supplier commissions revenue	8.1	1.4	6.7	497%	4.4
Services revenue	0.5	0.8	(0.3)	(38%)	1.0
Other revenue	0.2	0.2	0.0	6%	0.3
Other Income	0.7	0.7	(0.1)	(10%)	1.0
Segment revenue	20.3	9.9	10.4	106%	19.8
Consideration payable to customers	(0.9)	(0.4)	(0.5)	108%	(0.9)
Total revenue and other income in accordance with NZ GAAP	19.4	9.5	10.0	106%	18.9
Operating Revenue by Geography					
Australia	9.1	5.6	3.5	62%	10.7
New Zealand	1.2	1.0	0.1	13%	1.5
North America	1.6	1.3	0.2	18%	2.6
Europe and Other	6.9	0.7	6.2	856%	3.0
Total Revenue	18.8	8.7	10.1	115%	17.9
Total travel bookings (000)	2.3	1.3	1.0	73%	2.6
Online bookings (000)	2.0	1.1	0.9	75%	2.2
ARB (travel related revenue only/online bookings)	\$7.85	\$5.11	\$2.74	54%	\$5.80

Operating Expenses

- Higher transaction volumes drove increased sales and marketing, and hosting expenses, however, these expenses fell as a percentage of revenue.
- Remuneration and benefits increased reflecting higher staffing and higher average cost per staff member and non-cash items such as the employee share scheme and lower levels of capitalisation.
- Administration expenses increased relative to the six months to 30 September 2021 but were slightly lower than the six months to 31 March 2022.
- Amortisation has increased reflecting a higher asset base and a number of recent projects being amortised over three years rather than five years.
- \$9.5 million or 54% of the increase in operating expense relative to the six months to 30 September 2021 related to product design and development expenditure as investments for growth increased. See next slide for details.

Operating Expenses	FY23H1 6 months \$'m	FY22H1 6 months \$'m	change \$'m	change %	FY22 Full Year \$'m
Total selling and marketing expenses	2.7	1.5	1.3	86%	3.1
Percentage of revenue	15%	17%			17%
Hosting expenses	3.2	2.3	1.0	43%	4.9
Percentage of revenue	17%	26%			28%
Total remuneration and benefits	26.3	14.9	11.4	77%	32.1
Percentage of revenue	140%	171%			180%
Total administration expenses	4.0	2.6	1.5	56%	6.9
Percentage of revenue	22%	30%			39%
Total amortisation and depreciation	6.0	3.7	2.3	63%	8.0
Percentage of revenue	32%	42%			45%
Total Operating Expense	42.3	24.9	17.5	70%	55.1
Percentage of revenue	225%	285%			308%
Number of employees at period end	334	295	39	13%	312

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

Product Design and Development

- Product design and development (PD&D) costs is a non-GAAP measure¹ representing the internal and external costs related to PD&D that have been included in operating expenses or capitalised as computer software development during the period plus amortisation of previously capitalised PD&D costs.

¹ Refer to Appendix for definitions and descriptions of the non-GAAP measures used by management.

² We have recognised additional costs within the PD&D costs to provide a more comprehensive view. This does not impact the financial statements.

Product Design and Development Expenditure	FY23H1 6 months \$'m	FY22H1 6 months Reclassified ² \$'m	change \$'m	change %	FY22 Full Year Reclassified ² \$'m
Total Product Design & Development Percentage of revenue	20.3 108%	14.8 169%	5.5	37%	30.1 169%
Less: capitalised product development costs Percentage of Product Design & Development costs	(5.5) 27%	(7.2) 49%	1.7	(24%)	(15.3) 51%
Total Product Design & Development (excluding amortisation) Percentage of revenue	14.8 79%	7.5 86%	7.3	96%	14.8 83%
Add: Amortisation of capitalised development costs	5.0	2.9	2.2	77%	6.4
Total Percentage of revenue	19.8 106%	10.4 119%	9.5	91%	21.2 119%

Balance Sheet

- In the six months to 30 September 2022 average monthly cash burn was \$3.6m.
- Other current assets increased by 104% relative to 30 September 2021 primarily reflecting higher trade receivables and contract assets as a result of higher revenues in August and September relative to the prior year.
- Additional payments from customers in the year to 31 March 2022 are expected to reverse in the year to 31 March 2023 and are included in current liabilities.
- Non-current liabilities decreased relative to 31 March 2022 primarily due to lower lease liabilities.

Balance Sheet	FY23H1	FY22H1	change	change	FY22
	6 months	6 months			Full Year
	\$'m	\$'m	\$'m	%	\$'m
Cash and Short Term Deposits	102.9	62.3	40.5	65%	124.5
Other Current Assets	13.2	6.5	6.7	104%	6.2
Intangibles	32.8	27.3	5.5	20%	32.1
Other Non Current Assets	4.1	2.5	1.6	65%	4.4
Total Assets	153.0	98.6	54.4	55%	167.2
Current Liabilities	17.0	8.9	8.1	92%	13.3
Non Current Liabilities	2.2	0.8	1.4	165%	3.0
Equity	133.8	88.9	44.9	50%	150.9
Total Liabilities and Equity	153.0	98.6	54.4	55%	167.2

Outlook

Outlook

- Serko's first half total income exceeded the full year to 31 March 2022 with a strong exit rate from the half. Serko notes that historically second half revenue is lower than the first half.
- Serko is affirming its FY23 guidance of approximately doubling FY22 revenue.
- Guidance remains subject to ongoing risks including geo-political and macro-economic uncertainty and the potential resurgence of COVID.
- Serko has significant cash reserves and is tightly managing investment levels with a focus on moving towards profitability and cashflow breakeven. It is Serko's intention, based on current market conditions, to return to a cashflow positive position during the FY25 financial year with appropriate cash reserves on hand at the point of breakeven.



Financial Results for the six months to 30 September 2022
Investor Presentation 23 November 2022

Q&A

Appendix

Definitions

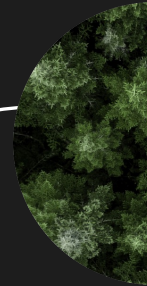
Non-GAAP (generally accepted accounting practices) financial measures do not have standardised meanings prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities. Non-GAAP measures are used by management to monitor the business and are considered useful to provide information to investors to assess business performance. Reconciliation of non-GAAP financial measures to GAAP measures can be found within the Financial Statements and this Investor Presentation.

- ARPB (Average Revenue Per Booking) is a non-GAAP measure. Serko uses this as a useful indicator of the revenue value per travel booking. ARPB for travel-related revenue is calculated as travel-related revenue divided by the total number of online bookings.
- ARPCRN or Average Revenue per Completed Room Night (a non-GAAP measure) is the supplier commissions revenue per completed room night for revenue generating hotel transactions.
- Completed Room Nights (a non-GAAP measure) is the number of hotel room nights which have been booked and the traveller has completed the stay at the hotel.
- EBITDAF is a non-GAAP measure representing Earnings Before the deduction of costs relating to Interest, Taxation, Depreciation, Amortisation, Foreign Currency (Gains)/Losses and Fair value measurement. See slide 11 for a reconciliation to Net loss after tax.
- FTE is a non-GAAP measure representing full time equivalent employees, contractors are not included within this measure.
- Operating expenses is a non-GAAP measure comprising expenses excluding costs relating to taxation, interest, depreciation, amortisation, finance expenses and foreign exchange gains and losses.
- Product design and development costs is a non-GAAP measure representing the internal and external costs related to the design, development and maintenance of Serko's platforms that are included within operating expenses or capitalised but excludes amortisation.
- Segment revenue (a non-GAAP measure) is Total revenue and other income before deducting consideration payable to customers.
- Travel-related revenue is a non-GAAP measure and includes travel platform booking revenue and supplier commissions revenue.
- Total travel bookings include both online and offline bookings. Offline bookings are system automated bookings.

Building sustainable long-term business growth

We continue to enhance our environmental, social and governance program, with a focus on climate change reporting.

We are currently preparing to meet the upcoming mandatory climate-change reporting standards and have compiled our first carbon emissions inventory.



Continuously innovating — to adapt to rapid environmental changes and deliver sustainable and innovative products to our customers



Being a brand you can count on — trusted by our employees, customers, investors and partners



Powering our people — to do amazing work that drives our business and sustainability goals



Founded
2007



SKO
ASX & NZSX

c.500,000



SME Registered Companies

serko



330+

Employees worldwide



6,000+

Corporate customers



5 Offices

New Zealand – USA
Australia – China

Thank you

serko