SLI Systems Trading Update

Software as a service (SaaS) e-commerce accelerator signals strong profit and cash generation for the year to 30 June 2018 as the transition to its new self-service strategy continues; various challenges delay new product launch.

CHRISTCHURCH, New Zealand. 23 May 2018 – SLI Systems (SLI.NZ) today announces it expects to report growth in profits and cash reserves in the second half of the 2018 financial year as the company makes savings amid the ongoing transition to its new self-service product strategy.

SLI also announces that issues related to competing priorities and complexity of the pivot to the new business model are delaying the launch of the new self-service strategy. SLI now expects to launch the first of its new products in the 2019 calendar year.

For the half year to 30 June 2018 SLI expects a net profit exceeding the $1.1m achieved in the 6 months to 31 December 2017. The company also expects to report a net cash inflow for the six months to 30 June to exceed the inflow of $793,000 achieved in the previously reported six month period. The company forecasts to have cash in excess of $8m at 30 June.

Chief Executive Chris Brennan said: "A great strength of SLI has always been its substantial recurring revenue basis from its nearly 500 global customers which provides the capability to generate profits and positive cashflows. With SLI transitioning to a new self-service product strategy, we have scaled back sales and marketing expenditure and consequently we have seen our steady stream of high-margin Annualised Recurring Revenue (ARR)[1] generate profits and cash. Cash generation and profitability has also been enhanced by initiatives to improve customer satisfaction and operating efficiency.

Reflecting the pivot to the new strategy, constant currency ARR as at 30 June 2018 is forecast to be materially in line with the position reported twelve months ago.

"SLI recognises that its long-term future and growth is tied to the launch of the new self-service strategy and we have been working hard to bring our new vision to a reality," Mr Brennan said.

"Although we have made progress, we have found the challenges have been greater than we expected. We remain positive that our new strategy is the the correct decision to restore a higher level of sustained

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[1] Annualised Recurring Revenue (ARR) is a non-GAAP financial performance measure used internally by SLI as a basis for its expected forward revenue. ARR is calculated based on the subscription revenue from the existing customer base in the reference month and then annualised using exchange rates at the end of the reference month. ARR does not account for changes in behaviour of customers. For the Site Champion component of ARR it is necessary to apply judgement to mitigate the effects of one-off events that impact the reference month revenue of the calculation.

growth and we continue to develop and validate our plans. However we now believe we will be unable to meet our target to launch the first of the new products in the current financial year. Instead a launch in calendar year 2019 seems more likely.

"Meanwhile, with our cash reserves growing steadily, SLI finds itself in an ever-stronger position to weather the delays and capitalise on the strong potential we see for our new product suite."

SLI will provide an update to its outlook when it releases its audited results for the 2018 financial year in August of this year.

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About SLI Systems
SLI Systems (SLI.NZ) accelerates e-commerce for the world's top retailers by converting shoppers into buyers, maximising order values and generating more traffic. The SLI Buyer Engine™ is a cloud-based, artificial-intelligence platform that predicts what shoppers are most likely to buy, shortening the path to purchase through solutions that improve site search, navigation, mobile, merchandising, personalisation, recommendations and SEO. The SLI Commerce Console™ organises key sales insight and tuning capabilities into one easy-to-use control centre. For 16 years, established brands have trusted SLI Systems to deliver innovative features, knowledgeable service, and reliable SaaS-based infrastructure that delights customers and increases revenue. SLI operates on five continents, in 20 languages, and is the most chosen cloud-based site search provider to U.S. Internet Retailer Top 1000 retailers. For more information, visit www.sli-systems.com.