



serko

FY21 Results Presentation

19 May 2021



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# CEO Welcome

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# AGENDA

CEO  
Welcome

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Financial  
Summary

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Strategic  
Updates

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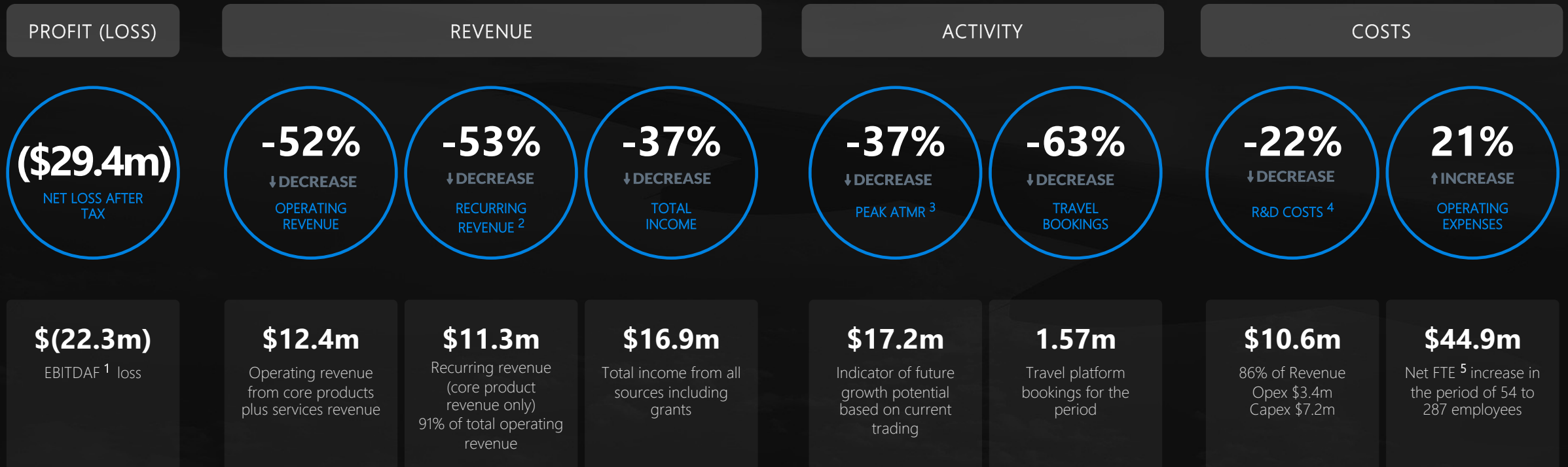
Outlook  
Statement

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# FY21 Financial Summary

# PERFORMANCE DASHBOARD – FY21

FY21 VS FY20



Notes 1 – 5: Refer to Appendix for definitions.

# NET PROFIT SUMMARY/ EBITDAF RECONCILIATION

- Revenue of \$12.4m down 52% (Slide 8)
- Total income (including grants) down 37% to \$16.9m
- Operating expenses of \$44.9m up 21% (Slide 9)
- EBITDAF loss of (\$22.3m) versus (\$6.1m) in prior year
- Net loss for the period of (\$29.4m) includes:
  - Depreciation and amortisation of \$5.6m, up \$2.5m
  - Foreign exchange losses of (\$1.3m) versus prior year gain of \$0.7m
  - No fair value measurement adjustments in the current year

Net Profit Summary EBITDAF Reconciliation	FY21	FY20	change	change
	\$000	\$000	\$000	%
Revenue	12,420	25,869	(13,449)	-52%
Other income (including grants)	4,476	922	3,554	385%
Total income	16,896	26,791	(9,895)	-37%
Operating expenses (excluding FX)	(44,854)	(37,092)	(7,762)	-21%
Percentage of operating revenue	-361%	-143%		
Net foreign exchange gains/(losses)	(1,337)	718	(2,055)	-286%
Net finance income	247	257	(10)	-4%
Net profit before tax	(29,048)	(9,326)	(19,722)	-211%
Percentage of operating revenue	-234%	-36%		
Income tax (expense)/benefit	(341)	(38)	(303)	-797%
<b>Net (loss)/profit after tax</b>	<b>(29,389)</b>	<b>(9,364)</b>	<b>(20,025)</b>	<b>-214%</b>
Add back (deduct): income tax expense (benefit)	341	38	303	797%
Add back (deduct): FX/finance income	1,090	(975)	2,065	212%
Add back: depreciation and amortisation <sup>1</sup>	5,633	3,156	2,477	78%
Add back: fair value measurement <sup>2</sup>	-	1,056	(1,056)	-100%
<b>EBITDAF</b>	<b>(22,325)</b>	<b>(6,089)</b>	<b>(16,236)</b>	<b>-267%</b>
EBITDAF margin	-180%	-24%		

<sup>1</sup> Depreciation includes right-of-use assets (leased premises) under IFRS-16 (Leases) adoption of \$1.1 million (FY20 \$1 million)

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



# REVENUE ANALYSIS

- Recurring revenue (excluding Services revenue) at \$11.3m down 53% and representing 91% of total operating revenue
- Travel platform booking revenue down 52% was Covid-19 impacted
  - Total travel platform bookings at 1.6m versus 4.2m in the prior year, down 63%
  - Online bookings down at 1.3m versus 3.7m in the prior year, down 65%
- Expense platform revenue at \$4.0m down 31%, benefitting from fixed components to pricing
- Supplier commissions revenue at \$0.5m down 62%
- Services revenue at \$1.1m down 37% as development resources focused on NORAM activation and Booking.com for Business platform
- Government Grants included \$3.4m related to Covid-19 subsidies received in New Zealand, Australia and the US
- New Zealand sourced income only down 13% as benefitted from the onboarding of customers completed over the year
- Average Revenue per Booking (ARPB) (based on total recurring revenue/online bookings) for the year was \$8.76 up 36% from \$6.46 in prior year, benefitting from Expense revenue which was not as affected as travel platform revenue; travel related ARPB was up 12% to \$5.36

## Revenue and Other Income by Type

	FY21	FY20	change	change
	\$000	\$000	\$000	%
Travel platform booking revenue	6,354	16,307	(9,953)	-52%
Expense platform revenue	3,997	5,831	(1,834)	-31%
Supplier commissions revenue	538	1,427	(889)	-62%
Other revenue	386	485	(-99)	-20%
Recurring revenue	11,275	24,050	(12,775)	-53%
Recurring revenue % operating revenue	91%	93%		
Services revenue	1,145	1,819	(674)	-37%
<b>Total revenue</b>	<b>12,420</b>	<b>25,869</b>	<b>(13,449)</b>	<b>-52%</b>
Government grants	4,382	922	3,460	375%
Sundry income	94	-	94	100%
Total other income	4,476	922	3,554	385%
<b>Total income</b>	<b>16,896</b>	<b>26,791</b>	<b>(9,895)</b>	<b>-37%</b>

## Operating Revenue by Geography

Australia	7,520	18,218	(10,698)	-59%
New Zealand	2,154	2,465	(311)	-13%
North America	2,369	4,80.	(2,454)	-51%
Other	377	363	14	4%
<b>Total operating revenue</b>	<b>12,420</b>	<b>25,869</b>	<b>(13,449)</b>	<b>-52%</b>
Total travel bookings (000)	1,566	4,215	(2,649)	-63%
Online bookings (000)	1,287	3,724	(2,437)	-65%
ARPB (Recurring revenue/online bookings)	8.76	6.46	2.30	36%
ARPB (travel related revenue only)	5.36	4.76	0.60	12%



## OPERATING EXPENSES/HEAD COUNT

- Operating Costs increased by 21% to \$44.9m
- Remuneration and benefits at 66% of total operating costs increased 52% to \$29.5m
  - includes share-based payments of \$3.2m which increased by \$2.2m over prior year however, this was partially offset by reduced cash costs through reduced salaries due to temporary salary adjustments and no prior year short term incentive
  - Net increase of 54 FTE\* (FY20 increase 60).
  - Capitalised costs less than prior year (refer to Slide 10)
- Selling and marketing of \$2.1m decreased \$0.9m (31%)
- Hosting expense of \$2.7m decreased 19%
- Administration costs at \$4.9m decreased 31% mainly due to:
  - Professional fees of \$0.9m decreased \$0.7m
  - Other admin expenses (primarily includes recruitment, listing, travel, training and insurance) of \$2.2m decreased \$1.6m
  - While Computer licenses of \$1.1m increased \$0.2m
- Amortisation and depreciation of \$5.6m increased \$2.5m

Operating Expenses	FY21 \$000	FY20 \$000	change \$000	change %
Selling and marketing	2,056	2,989	(933)	-31%
Hosting expense	2,710	3,362	(652)	-19%
Remuneration and benefits	29,527	19,419	10,108	52%
Administration expenses	4,928	7,110	(2,182)	-31%
Amortisation and Depreciation	5,633	3,158	2,477	78%
Fair value remeasurement	-	1,056	(1,056)	-100%
<b>Total Operating Expense</b>	<b>44,854</b>	<b>37,092</b>	<b>7,762</b>	<b>21%</b>
<i>Percentage of Operating Revenue</i>	<i>361%</i>	<i>143%</i>		
Head count	FY21 FTE	FY20 FTE	change FTE	change %
Product development and maintenance	193	146	47	32%
Sales and marketing	16	18	-2	-11%
Customer support	48	52	-4	-8%
Administration	30	17	13	76%
<b>Total employee numbers at end of year (FTE*)</b>	<b>287</b>	<b>233</b>	<b>54</b>	<b>23%</b>

\*FTE (Full time equivalent)

## RESEARCH & DEVELOPMENT (R&D)

- Total R&D costs decreased by \$3m (-22%) over prior year to \$10.6m
- Capitalised development costs included development Northern Hemisphere markets as well as the Booking.com platform
- Resources were reprioritised with the onset of Covid-19 and the acceleration of the global release of the Booking.com platform powered by Zeno
- Development resources were also focused on the management of the platform costs due to the reduced bookings and then the subsequent scale up with the return of bookings in the Australasian region and in preparation for the Booking.com migration

R&D Costs	FY21	FY20	change	change
	\$000	\$000	\$000	%
Total R&D costs (including amounts capitalised)	10,633	13,606	(2,973)	-22%
Percentage of operating revenue	86%	53%		
Less: capitalised product development costs	(7,231)	(11,013)	3,782	-34%
Percentage of R&D costs	68%	81%		
<b>Research costs (excluding amortisation of amounts previously capitalised)</b>	<b>3,402</b>	<b>2,593</b>	<b>809</b>	<b>31%</b>
Percentage of operating revenue	27%	14%		
Less: Government grants relating to research	(930)	(683)	(247)	-36%
Add: Amortisation of capitalised development costs	3,909	1,705	2,204	129%
<b>Net product development costs expensed</b>	<b>6,381</b>	<b>3,615</b>	<b>2,766</b>	<b>77%</b>
Percentage of operating revenue	51%	14%		

Research & Development (R&D) cost is a Non-GAAP measure representing the internal and external costs related to R&D that have been included in operating costs and capitalised as computer software development during the period. Research expenditure includes all reasonable expenditure associated with R&D activities that does not give rise to an intangible asset. R&D expenses include employee and contractor remuneration related to these activities. It also covers research expenditure defined by NZ IAS 38.

# Strategic Updates

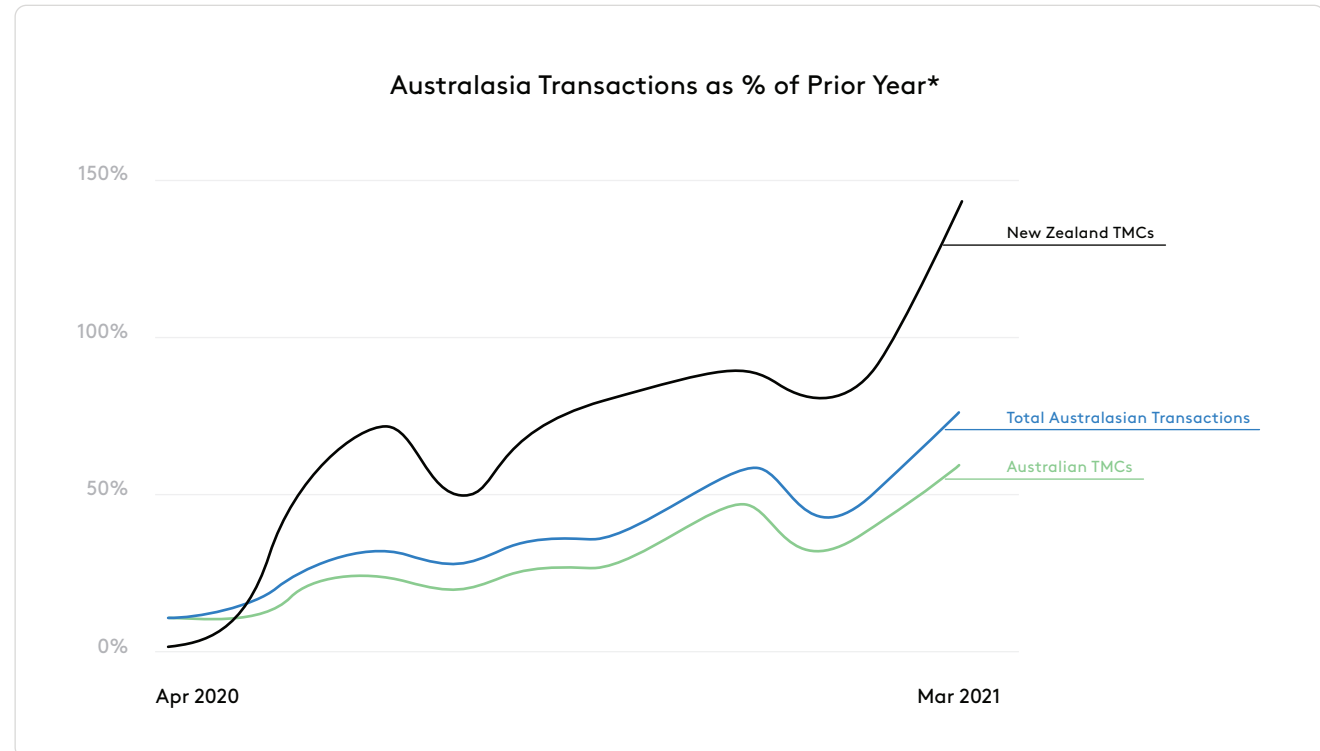
## AUSTRALASIA MARKET UPDATE

- The majority of Serko's revenues previously came from Australia and New Zealand domestic bookings.
- Total Australasian travel corporate customers using the platform in the financial year were 6,492.
- New Zealand trading customers have increased and we are transacting up 158% on 2019
- Australian recovery is still progressing behind New Zealand's with a combined 6,492 customers of our 7,759 recommencing business transactions which is in line with our expectations and is great to see this level of recovery.
- Zeno is now being used by 58% of all transacting corporate customers with transaction volume at 45% of total bookings for the month of March 2021, up from 25% for the month of March 2020.
- Expense revenue for the region, while initially impacted by Covid-19 has continued to underpin monthly revenues, benefitting from return to travel and growth in the Australasian region.
- Booking volumes are steadily recovering each month from former peaks in February 2020, prior to the impacts of Covid-19 and the lows experienced in April 2020. Our new peak day was 13,000 recently in May 2021 down from a peak of 24,000 daily bookings in February 2020.



# TRANSACTION ANALYSIS - AUSTRALASIA

- Travel volumes have recovered from a low in April 2020 of 11% to 73% as of March 2021. This has further improved in April 2021 to 84%.
- New Zealand total bookings for March 2021 was 149% and 158% for April 2021
- Australian total bookings for March 2021 was 62% and 72% for April 2021



\*As of March 2021, Serko has begun benchmarking current transaction volumes to 2019 volumes (in addition to 2020 volumes) as we believe this provides a more meaningful indication of the resumption of travel by business travellers. This is as a result of Covid-19-related travel restrictions beginning to materially impact Serko's transaction volumes from mid-March 2020. For completeness, total Australasian transaction volumes exceeded 131% of March 2020 volumes (NZ: 211%, AUS: 116%), when Covid-19-related border closures started materially impacting Serko's transaction bookings.

## NORTH AMERICA MARKET UPDATE

- We have continued to invest in the Serko Zeno platform for expansion into the North American markets during the current year.
- Serko launched a targeted North American Covid programme and TMC community programme to assist Covid affected TMCs and their corporate customers.
- Five new TMC reseller agreements were signed during FY21, with Frosch Travel Group, a large buying group, signed in April 2021.
- Transactions are starting to flow from TMCs who have completed implementation and onboarded their first customers but have been affected by various travel restrictions. We expect this to increase with the rollout of a vaccination programme and the return to travel post summer holiday period.
- Targeted sales and marketing activity has grown our pipeline of direct enterprise opportunities.
- Serko launched the new Zeno Expense platform in October 2020, signed Zeno Expense reseller partnership with buying group Omnia Partners and joined the Oracle NetSuite SuiteApp partner program.

## BOOKING.COM UPDATE

- In October 2019, Booking Holdings' made a cornerstone investment in Serko and Booking.com expanded its existing agreement with Serko enabling Booking.com to offer and promote Zeno to its business traveller customers. Booking Holdings has continued to support Serko and participated in the October 2020 capital raise.
- As announced in March 2021, following successful pilots undertaken during the financial year, Serko has commenced the migration of existing customers to the upgraded Booking.com for Business platform, powered by Zeno.
- Serko is currently seeing over 1,300\* of SME business customers per day activate\*\* on the new platform, during this phase of migration.
- Serko expects this rate of activation\*\* to significantly increase as we move to the further phases of migration due to complete by end of July 2021.
- Although in the early stages, we are seeing companies use the new "Connected Trip" across multiple markets.
- We know SME business booking behaviors will be different from our enterprise customers and activations will not necessarily translate into bookings immediately, particularly during Covid affected periods.
- The migration is anticipated to have a material impact on Serko's revenue for the FY22 year. As we are only part way through the migration and there remains uncertainty around the rate of travel recovery, we are unable to forecast the revenue uplift with any certainty at this time.

\* Weekday average for current phase of eligible customers

\*\* Activations will not necessarily translate immediately into bookings, particularly during Covid affected periods.

# Outlook Statement



## FY22 OUTLOOK

- The business is well positioned for growth when trading conditions improve as the travel industry recovers.
- The Booking.com for Business customer migration is anticipated to have a materially positive impact on our revenue for FY22 financial year.
- As at 30 April 2021, Serko had cash reserves and short-term deposits of \$77.7 million. We believe these cash resources, at the current rate of cash burn, will be sufficient to see the company through to cash flow breakeven should our anticipated recovery scenario be achieved.
- We will continue our rigorous focus on cash flow throughout the remainder of FY22, targeting an average monthly cash burn of between \$2 million and \$4 million.
- We continue to consider inorganic growth opportunities, aligned to strategy as and when they arise.
- Subject to Covid-19 recovery, Serko considers it can achieve its \$100m in Revenue target within the medium term but it has been delayed during this Covid-affected year.
- As industry recovery remains uncertain and the Booking migration is not yet complete, we are unable to forecast our likely operating revenue for the 2022 financial year with any certainty but will continue to provide regular updates to the market.

# Q&A



# Appendices:

Company Snapshot  
Definitions

# ABOUT SERKO

FOUNDED IN 2007



## Innovative Solutions

Serko is a technology company focused on innovative solutions that address the challenges of corporate travel and expense management. The majority of Serko's revenue comes from Travel Management Companies (TMCs) ("Resellers"), who provide our online travel booking (OBT) solution to their corporate customers. Serko also sells Expense management solutions to corporate customers directly.



## Market Leader

Serko is a leading supplier of travel technology solutions for TMCs in Australasia and is now expanding into Northern Hemisphere markets with multiple signed reseller agreements in North America and a global agreement with ATPI and Booking.com.



## NZX/ASX Listed

Serko listed on the New Zealand stock exchange in June 2014. In June 2018, Serko listed as a foreign exempt listing on the Australian Securities Exchange. Serko trades under the ticker 'SKO' on both exchanges.

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

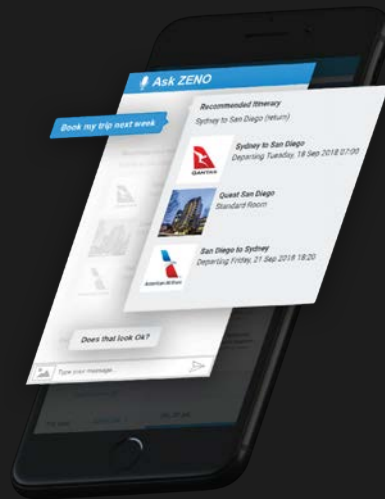


# SERKO PRODUCTS

zeno  
BY serko

## Zeno Travel

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

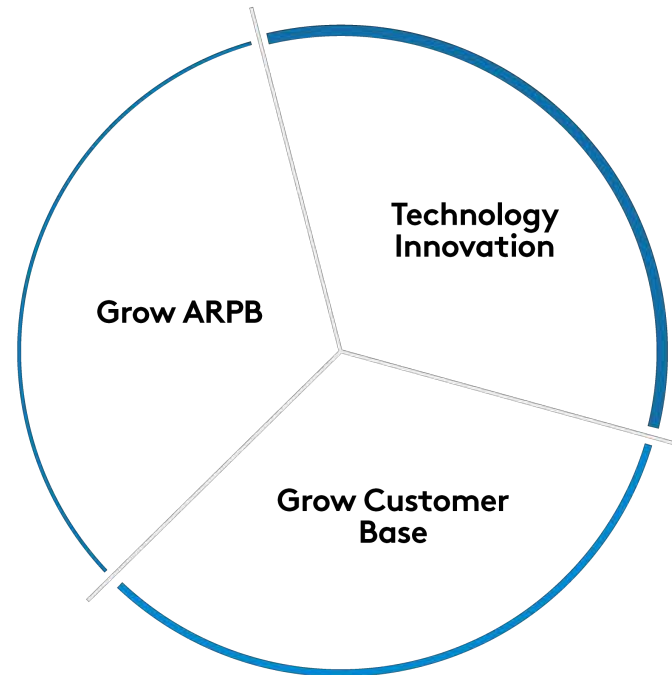


## Zeno Expense

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

# SERKO STRATEGY

● Grow average revenue per booking (ARPB) by offering increased content and moving customers to Zeno



● Offer premium, integrated global solutions

● Expand into new territories through strategic alliances and reach the unserved SME market

# COMMERCIAL MODEL

Year Ended 31 March	2021
	\$000
Travel platform booking revenue	6,354
Expense platform revenue	3,997
Supplier commissions revenue	538
Other revenue	386
<b>Recurring Product Revenue</b>	<b>11,275</b>
Percentage of total revenue	91%
Services revenue	1,145
<b>Total Revenue</b>	<b>16,896</b>

Corporate traveller makes a booking via Serko Online/Zeno

Traveller submits receipts using Serko Expense/Zeno

Traveller books hotel or taxi via Serko Online/Zeno

Traveller downloads and uses Serko Mobile

Additional Services

\$

## Booking and other fees

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

\$

## Monthly user fee

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

\$

## Supplier commission

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

\$

## Mobile subscription

Serko earns other miscellaneous revenue such as mobile licenses

\$

## Services Revenue

Paid customisation, marketplace integration or implementation assistance

## HISTORIC MEASURES for financial years (31 March)

Selected Operational Metrics	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Total revenue growth (%)	27%	39%	55%	27%	9%#	28%	28%	11%*	-52%*
Revenue growth – Travel Platforms (%)	41%	12%	62%	49%	8%	23%	20%	2%	-61%
Total travel booking transactions (000s)	987	1,107	1,588	2,407	2,913	3,526	4,138	4,215	1,566
Online booking transactions <sup>1</sup> (000s)	821	1,011	1,468	2,262	2,673	3,207	3,743	3,724	1,287
Online transaction growth (%)	35%	23%	45%	54%	18%	20%	17%	-1%	-65%
Recurring product revenue as % total revenue	84%	71%	80%	93%	91%	90%	89%	93%	91%
Operating costs <sup>2</sup> (% change)	35%	62%	105%	13%	(10%)	(5%)	29%	50%	19%
Employees (number at end of year - FTE)	47	87	133	127	108	106	173	233	287
Average revenue per FTE (NZD\$000)	119	100	94	101	122	170	167	121	67
Research & development costs - expense and capex (NZD\$000)	2,340	3,387	5,762	6,268	5,836	4,906	9,165	13,606	10,633
Peak annualised transactional monthly revenue (ATMR) (NZD\$m)	n/a	n/a	n/a	11.2	15.3	18.4	26.0	27.5	17.2

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

n/a – indicates not previously measured or reported

# – FY17 revenue was affected by adverse foreign exchange rates;

\* – FY20/FY21 revenue was affected by Covid-19 pandemic



## DEFINITIONS

- Peak ATMR (Annualised Transactional Monthly Revenue) is a non-GAAP measure. Serko uses this as a useful indicator of recurring revenues from Serko products. It is calculated by annualising the combination travel and expense platform monthly revenues for the most recent non-seasonal month. The travel platform revenue is annualised by taking the monthly online booking transactions divided by the number of weekdays for that month multiplied by the average ARPB and multiplied by 260 days. The expense platform revenue is based on the monthly revenue from active users multiplied by 12 months.
- ARPB (Average Revenue Per Booking) is a non-GAAP measure. Serko uses this as a useful indicator of the combined value from transactional booking fees and the supplier commissions earned from the travel platform. It is calculated by taking total travel platform booking revenue and supplier commission revenue divided by the total number of bookings.
- Recurring product revenue is a non-GAAP measure and is the recurring revenue derived from transactions and usage of Serko products by contracted customers. It excludes revenues from customised software development (services revenue).
- Operating revenue is a non-GAAP measure excluding income from grants and finance income, while total income includes grants.
- R&D (Research & Development) costs is a non-GAAP measure representing the internal and external costs related to R&D both expensed and capitalised.
- Operating Costs is a non-GAAP measure which excludes costs relating to taxation, interest, depreciation, and amortisation charges.
- EBITDAF is a non-GAAP measure representing Earnings Before the deduction of costs relating to Interest, Taxation, Depreciation and Amortisation and Fair value remeasurement of contingent consideration.
- FTE = Full time equivalent employee.

Thank you

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