

## AUDITED FINANCIAL RESULTS FOR THE YEAR TO 31 MARCH 2022

# SERKO REPORTS GROWTH AS TRAVEL RECOVERY BUILDS

### SUMMARY FINANCIAL RESULTS

- Total income (revenue and other income) increased 12% to \$18.9 million
- Segment revenue<sup>1</sup> was \$19.8 million, a 17% increase on the prior year and above the midpoint of our revenue guidance of \$18.5 million and \$20.5 million
- Online travel booking volumes rose 67% to 2.15 million, boosted by the easing of COVID travel restrictions and new Booking.com for Business transactions
- Booking.com for Business added an additional 54,000 new registered companies, taking the total to more than 420,000 net new registered companies, while room booking volumes grew to 39,000 in March 2022
- Average revenue per booking (ARPB) for travel-related revenue increased during the year by 8% to \$5.80, driven primarily by the strong average revenue per completed room booking of over \$20 for Booking.com for Business.
- Net losses after tax increased by 22% to \$36.0 million reflecting investment to develop the significant opportunities Serko sees in international markets. EBITDAF<sup>2</sup> losses increased 26% to \$28.1 million from \$22.3 million
- Average monthly cash burn for the 6 months to 31 March 2022 was \$3.0 million, lower than our guidance of close to \$4 million, partly reflecting additional non-recurring payments from customers.
- Cash and cash equivalents at 31 March 2022 were \$124.5 million, lifted by the \$83.3 million capital raising (\$80.1 million net of costs) undertaken towards the end of 2021
- Serko expects revenue to approximately double from the prior year and plans to increase our rate of investment into our products and markets in line with revenue projections.

*All dollar amounts are New Zealand dollars unless otherwise stated*

Serko Limited (NZX & ASX: SKO), a leader in travel and expense management for business, today announces results for the year to 31 March 2022, showing the company benefiting from an ongoing recovery in international travel markets and the advancement of its partnership with global travel giant Booking.com.

Online travel bookings across all segments for the 2022 financial year increased 67% year on year to 2.15 million from 1.29 million, with 1.95 million travel bookings in our Managed Travel segment (Australasia and North America). The total also includes 0.21 million bookings from the platform for small and medium-sized businesses that we have developed with Booking.com (our Unmanaged Travel segment).

By the end of the financial year, Australasian booking volumes had recovered to 78% of March 2019 (pre-COVID) levels as the market emerged from Omicron. Serko is also seeing the recovery trend continue through April 2022 with Australasian transactions at 83% of April 2019 numbers.

Booking.com for Business booking volumes have also recovered and for the month of March 2022 reached, 39,000, a 42% increase on the October 2021 figure. This growth has also continued into the first month of the new financial year.

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<sup>1</sup> 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 4 of the Financial Statements for a reconciliation to Total income.

<sup>2</sup> See notes to this release for definitions of non-GAAP financial measures, including EBITDAF.

The strong growth from Booking.com for Business follows the successful onboarding of more than 420,000 net new Booking.com for Business registered companies during the year.

Finally, in North America we are also seeing a travel recovery and continuing signs that we can realise the potential we see for Serko in this market. By way of example, the international payments company Visa has selected Zeno as its corporate booking tool and is now live in North and South America and the Asia Pacific region. Zeno was also named a 'Globally Preferred Booking Tool' by our travel reseller partner CWT, one of the top three global Travel Management Companies.

Serko Chief Executive and Co-Founder Darrin Grafton said "Our focus over the past year has been to position the business to catch the wave of the global travel recovery. It is therefore pleasing to report that the recovery has commenced and that the investments we have made are starting to deliver a return.

"The 2022 financial year has been one of careful cost management while investing for the recovery of the business travel market. Our priorities across Serko for the 2022 financial year were to support our Australian and New Zealand business, invest heavily into our travel platform for small and medium-sized businesses in partnership with Booking.com, and develop the North American market.

"We are pleased with the progress that we have made."

## FINANCIAL PERFORMANCE AND FUNDING

Serko's financial performance, although showing a significant improvement in revenue relative to the prior year, continues to reflect the impact of the pandemic and our investments in our products to drive the Booking.com for Business opportunity and to position ourselves for the recovery of global business travel.

Total income increased by 12% to \$18.9 million. Revenue grew by 44% to \$17.9 million but this was partially offset by government grant revenue down 77% to \$1.0 million.

Segment revenue was \$19.8 million, a 17% increase on the prior year and above the midpoint of our revenue guidance of \$18.5 million and \$20.5 million. Revenue growth was driven by a partial business travel recovery in Australasia over the previous financial year, a strong contribution from Booking.com for Business and a modest increase in revenue from North American markets. These gains were diluted by the lockdown and travel restrictions in New Zealand through the third and fourth quarters of the financial year.

Average revenue per booking (ARPB) for travel-related revenue increased during the year by 8% to \$5.80, driven primarily by the strong average revenue per completed room booking of over \$20 for Booking.com for Business.

EBITDAF losses increased 26% to \$28.1 million from \$22.3 million in the same period a year ago, with the rise reflecting an increase in operating expenses as we scaled up and invested for future growth. Net losses after tax increased 22% to \$36.0 million from \$29.4 million.

Serko remains well funded as a result of the \$83.3 million capital raising (\$80.1 million net of costs) undertaken towards the end of 2021. Cash and cash equivalents at 31 March 2022 were \$124.5 million, an increase of 56% or \$44.6 million on the prior year end. Cash burn over the year was \$35.5 million, an average of \$3.0 million per month. Average monthly cash burn for the 6 months to 31 March 2022 was \$3.0 million, lower than our guidance of close to \$4 million, partly reflecting additional non-recurring payments from customers.

## OUTLOOK

Two years on from the onset of the COVID related global travel restrictions, it is gratifying to see the strong recovery, both in Australasia and the new markets we are pursuing, Mr Grafton said.

"Transaction volumes in April 2022 show the recovery of business travel has been sustained into the new financial year, reflecting a return to travel. That said, we cannot be complacent about the ongoing risks, including geo-political uncertainty, the potential resurgence of COVID and additionally the structural changes to the travel market that have occurred through the pandemic.

"Nevertheless, the proof points of the current market continue to give us confidence about our prospects for the year to 31 March 2023 and we expect revenue to approximately double from the prior year.

"The disruption of the last two years has sharpened our focus on building upon the strengths of our technology and carefully targeting new market segments.

"We plan to increase our rate of investment into our products and markets to support future growth in line with revenue projections over the six months to 30 September 2022. However, we are tightly focused on execution and the application of capital to directly drive the outcomes related to both our strategy and shareholder return while maintaining prudent cash management practices.

"We continue to negotiate the potential acquisition of a travel technology business. There is no certainty that this acquisition will proceed, and we will update the market as appropriate. The potential acquisition would be earnings accretive and assist Serko to accelerate the execution of its strategic priorities. The total consideration payable is expected to be primarily payable in scrip with a smaller cash component. It is likely that a significant portion of the total consideration would be deferred and performance based.

"We thank shareholders for their ongoing support and look forward to providing an update at our annual shareholders meeting in August," Mr Grafton concluded.

Released for and on behalf of Serko Limited by:

Shane Sampson  
Chief Financial Officer

For further information:

**Investor relations:**

Shane Sampson  
Chief Financial Officer  
+64 9 884 5916  
[investor.relations@serko.com](mailto:investor.relations@serko.com)

**Media:**

Richard Inder  
The Project  
+64 21 645 643  
[richard@theproject.co.nz](mailto:richard@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](http://www.serko.com) for more information.

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#### 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 Management Commentary within the Annual Report dated 18 May 2022.

- **Travel related revenue** is a non-GAAP measure comprising travel platform booking revenue and supplier commissions revenue, as set out in note 4 to the Financial Statements.
- **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.
- **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 4 of the Financial Statements for a reconciliation to Total income.
- **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.
- **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 Management Commentary in the Annual Report for a reconciliation to Net loss after tax.