

# serko

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Financial Results for the year to 31 March 2022

Investor Presentation 18 May 2022

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# 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.



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# FY22 Highlights

# FY22: EMERGING FROM COVID WITH A GLOBAL PLATFORM

SERKO INVESTMENT AHEAD OF THE RECOVERY POSITIONS US WELL FOR GROWTH

## Booking.com



Delivered a travel platform to a global giant from a standing start, onboarding 420,000+ registered companies.



Monthly room nights booked rose to 39k for March, up 42% from October.



Collaborating with Booking.com to drive customer acquisition and conversion.

## Managed travel



Recovery is evident with travel patterns improving at the end of Q4 FY22.



Demonstrated resilience in Australia and New Zealand through retention and market share growth in the face of recurrent travel shutdowns.



North America is showing validation of our approach with marquee Travel Management Company (TMC) partners and corporate buyers selecting Zeno.

## Capability and capacity



Successfully retaining and recruiting talent to build capacity across our product and technology functions in a COVID constrained market.



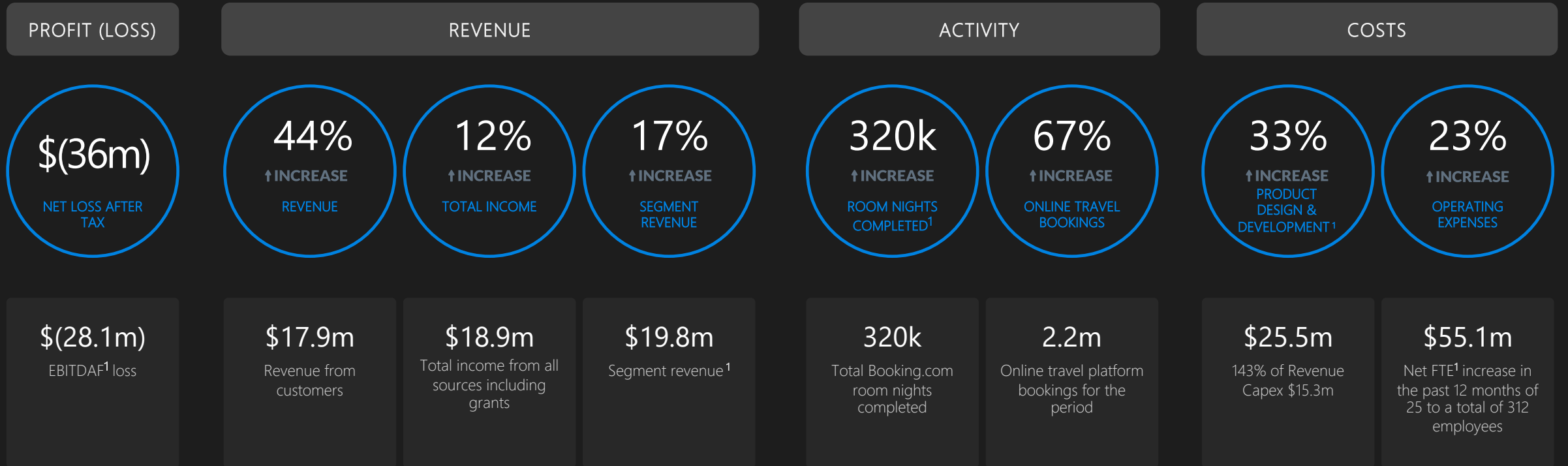
\$83 million capital raising allowed us to look beyond the travel market turmoil.



Cash burn averages \$3.0 million per month.

# FY22: WEATHERING THE PANDEMIC, INVESTING FOR GROWTH

## PERFORMANCE COMPARED TO PRIOR COMPARABLE PERIOD



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

# SERKO'S STRATEGIC PRIORITIES FY23 -> FY25

## 3 YEAR STRATEGIC GOALS

1

### CUSTOMER SUCCESS

Deliver an exceptional CX through experimentation driven development.

2

### UNMANAGED REVENUE

Establish significant market share in the unmanaged travel market through our partnership with Booking.com.

3

### MANAGED REVENUE

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

4

### MARKETPLACE & CONTENT

Commercialise the connected trip experience through an open platform.

5

### CULTURE

Grow a culture of engaged Serkodians who uphold our corporate values.



# 1

## CUSTOMER SUCCESS

FRICITIONLESS BUSINESS TRAVEL THROUGH AN EXCEPTIONAL CUSTOMER EXPERIENCE

- Serko's product teams are focused on increasing customer satisfaction by continuing to enhance the performance and usability of our products.
- Booking.com is providing us with access to the learnings and insights of one of the largest online travel retailers in the world.
- With the support of our Booking.com partnership, Serko's product organisation is transitioning to an experiment-led approach built on data-driven decision making.
- A focus on delivering enhancements to reduce friction based on customer feedback has included multi-room bookings, express search and enhanced room imagery, which are delivering improvements in customer outcomes.

The screenshot displays the 'NEW BOOKING' interface on a mobile device. At the top, there is a blue header with a plus sign icon and the text 'NEW BOOKING'. Below this, there are three main options: 'BOOK STAY' (with a bed icon), 'BOOK FLIGHTS / TRAINS' (with an airplane and train icon), and 'BOOK A TRIP' (with a globe icon). The 'BOOK STAY' option is currently selected, indicated by a blue underline. Below these options, there is a 'Destination' field with the placeholder text 'Where would you like to stay?'. Underneath the destination field, there are two date fields: 'Check-in' with the date 'Wed, 18 May' and 'Check-out' with the date 'Thu, 19 May'. Below the dates, there is a room selection field showing '1 room' with a bed icon and a dropdown arrow. At the bottom of the form, there is a large blue button labeled 'SEARCH'.

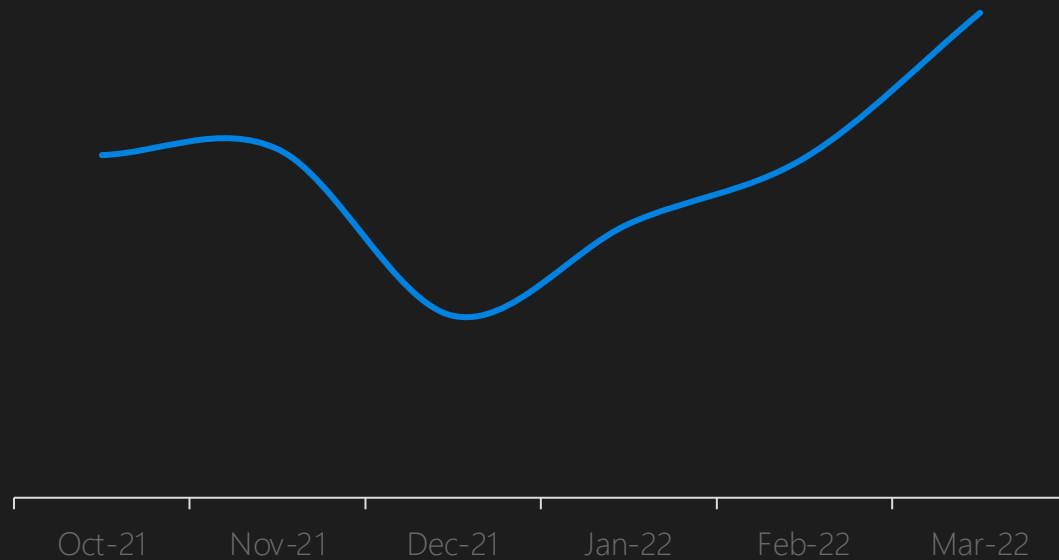


# 2

## UNMANAGED REVENUE BOOKING.COM LAUNCH A SIGNIFICANT ACHIEVEMENT



Booking.com for Business Rooms Booked



420K+

Registered Booking.com for Business companies<sup>1</sup>

> \$20

Average revenue per completed booking.

39K

Rooms booked in March 2022 up 42% from October 2021.

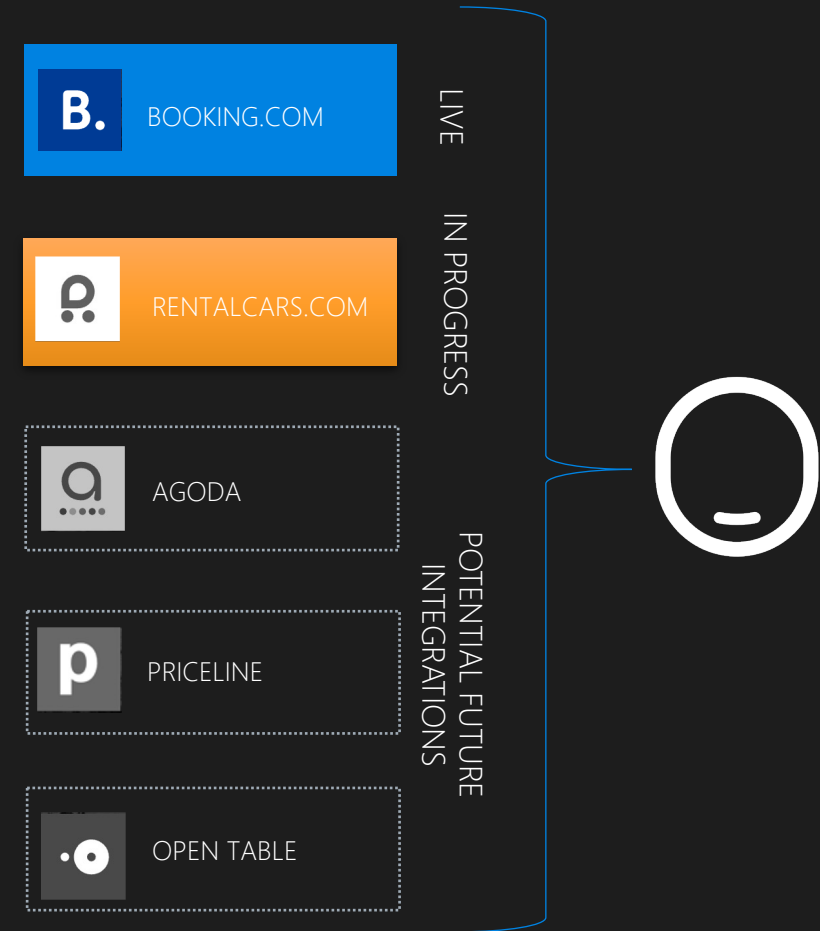
<sup>1</sup>We expect SME business booking behaviors will be different from our enterprise customers. It is uncertain when, and how often, migrated (also referred to as activated) customers and new sign-ups will transact, particularly during COVID-affected periods and as a result of intermittent travel 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.

# 2

## UNMANAGED REVENUE

### PRODUCT INVESTMENT FOCUS ON CUSTOMER CONVERSION

- Serko’s product and technology teams are collaborating closely with their Booking.com counterparts, with Booking.com resourcing a dedicated team to support the partnership.
- Focused investment for growth in FY22 and FY23:
  - Expanding the connected trip offering with additional content including rail, rental cars, airlines and partnership offerings with 3<sup>rd</sup> party business tools.
  - Air travel now able to be booked through the Booking.com for Business platform in 31 countries including Australia.
  - Increasing customer conversion through UI functionality enhancements.
  - Targeted digital marketing to drive customer acquisition.



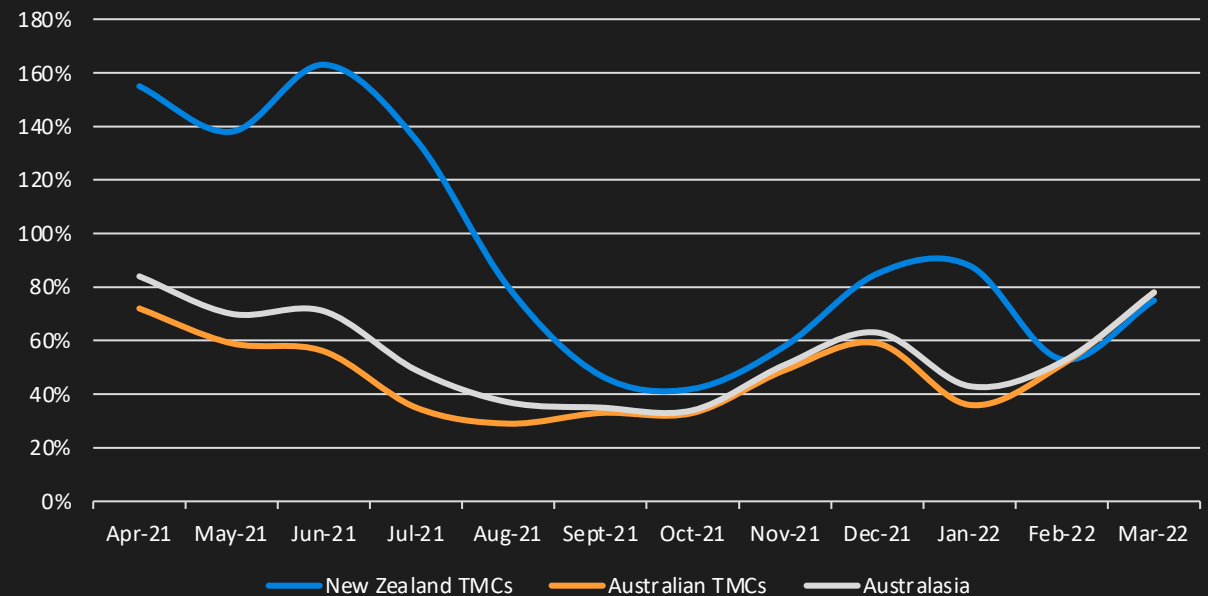
# 3

## MANAGED REVENUE

### RECOVERY GAINING MOMENTUM ACROSS ALL MARKETS

- Australasia is seeing a steady recovery, ending March 2022 at 78% of pre-COVID volumes after a year of volatility reflecting virus outbreaks.
- Serko has retained key customers and won new enterprise customers during the pandemic-affected period, achieving 62% adoption across the ASX 50.
- North American travel market is recovering, and we are seeing signs of Zeno gaining traction in market.
- Zeno has been selected as a globally preferred online booking tool by CWT.
- VISA selected Zeno as its corporate booking tool and is now live via CWT across North and South America and the Asia Pacific region.\*\*

Australasia transactions as % of pre-COVID-19\*



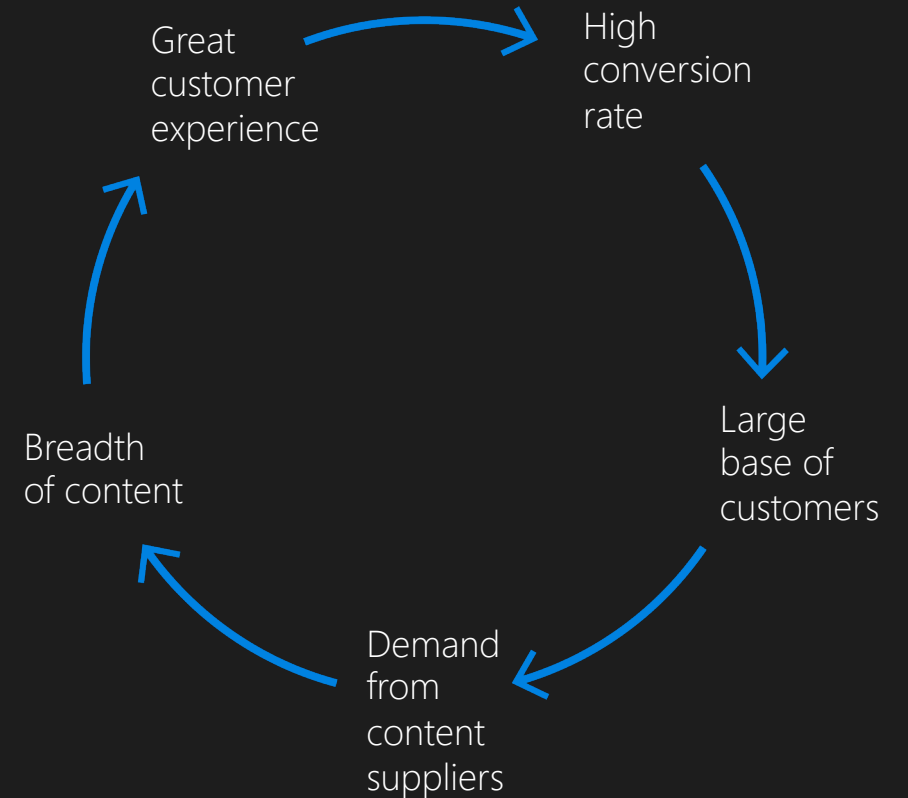
\*Percentages are measured against the same month in 2019 to reflect pre-Covid-19 volumes.

\*\*The agreement between Serko and CWT is not expected to have a material impact on Serko's current financial year.

# 4

## PLATFORM AND CONTENT INVESTING IN MARKETPLACE FOUNDATIONS

- Serko is investing in the marketplace foundations to create an open platform with a content hub that enables third party supply partners to connect at scale.
- In FY22 we progressively expanded the content offerings across multiple markets, including the introduction of flights and DB Rail in Booking.com for Business.
- We rolled out product innovations through specialist provider integrations including: destination health & safety and arrival requirements information, and e-Visa capabilities.
- In alignment with Serko's ESG focus we launched integrated environmental impact and carbon offset for flights and sustainable property flags.



# 5

## CULTURE

### GROWING A CULTURE THAT ATTRACTS AND RETAINS TALENT

- Serko seeks to employ the best people and empower them to do their best work.
- We are focused on offering a holistic employee experience across the key areas of organisational culture; working environments; personal and career development; remuneration and benefits; and employee health, safety and wellbeing.
- Key initiatives:
  - Diversity policy 40:40:20 (men, women, any gender) target across the business by 2023
  - Review of processes for bias including hiring, promotion and annual performance
  - New inclusive benefits programme recognising parents, well-being, flexible working
  - Annual employee survey and monthly pulse checks
  - Rigorous health & safety management through the pandemic
- We continue to enhance our environmental, social and governance program, with a keen focus on climate change reporting.
- Serko is actively exploring initiatives to make a positive impact in the community, including working with Booking.com to assist the UNHCR with accommodation support for refugees displaced by the war.





# Financial Update and Outlook

AUDITED FINANCIAL RESULTS FOR THE YEAR TO 31 MARCH 2022

# NET PROFIT SUMMARY/ EBITDAF RECONCILIATION

- Revenue of \$17.9m is up 44% from FY21 as travel volumes partially recovered from COVID effects.
- Total income of \$18.9m is up 12% from FY21.
- EBITDAF loss of \$28.1m is \$5.8m more than the previous year with the increase in Operating expenses, partially offset by higher total income.
- Net loss after tax for the period was \$36m.

<b>Net Profit Summary EBITDA Reconciliation</b>	<b>FY22 \$'000</b>	<b>FY21 \$'000</b>	<b>change \$'000</b>	<b>change %</b>
Revenue	17,855	12,420	5,435	44%
Other income (including Grants)	1,019	4,476	(3,457)	-77%
Total income	18,874	16,896	1,978	12%
Operating expenses	(55,057)	(44,854)	(10,203)	23%
<i>Percentage of revenue</i>	<i>-308%</i>	<i>-361%</i>		
Foreign exchange gains/(losses)	(35)	(1,337)	1,302	-97%
Net finance (expense)/income	578	247	331	134%
Net (loss) before tax	(35,640)	(29,048)	(6,592)	-23%
<i>Percentage of revenue</i>	<i>-200%</i>	<i>-234%</i>		
Income tax benefit/(expense)	(319)	(341)	22	-6%
Net (loss) after tax	(35,959)	(29,389)	(6,570)	-22%
Deduct: net finance (expense)/income	(578)	(247)	(331)	134%
Add back: income tax	319	341	(22)	-6%
Add back: depreciation and amortisation	8,038	5,633	2,405	43%
Add back: net foreign exchange (gains)/losses	35	1,337	(1,302)	-97%
EBITDAF (loss)	(28,145)	(22,325)	(5,820)	26%
<i>EBITDAF (loss) margin</i>	<i>-158%</i>	<i>-180%</i>		



# REVENUE ANALYSIS

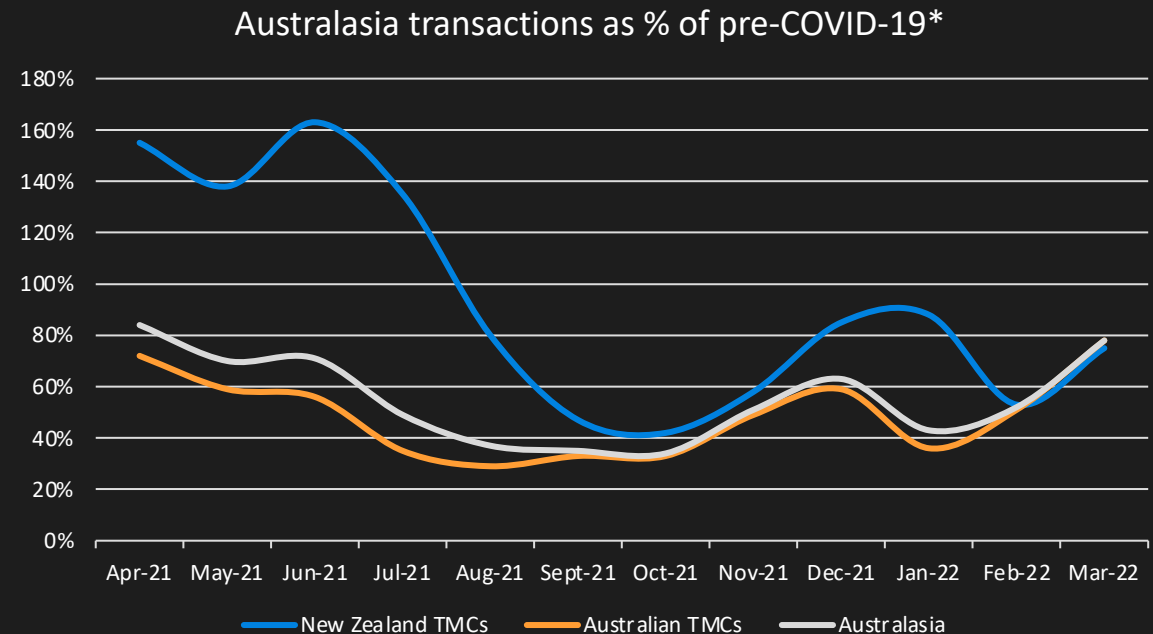
- Segment revenue<sup>1</sup> increased 17% to \$19.8m, above the midpoint of guidance.
- Travel platform revenue increased by 42% to \$9m.
- Supplier commissions before consideration payable increased 710% to \$4.4m reflecting increased travel volumes and growth in revenue from Booking.com for Business.
- After deducting consideration payable to customers, supplier commissions revenue increased 541% to \$3.5m.
- ARPB for recurring revenue decreased by 11% to \$7.83 due to the weighting of Expense revenue decreasing as travel booking volumes and revenues grew faster.
- Average Revenue per Booking (ARPB) for travel-related revenue (travel platform and supplier commissions) increased by 8% to \$5.80.

<b>Revenue and Other Income by Type</b>	<b>FY22</b> \$'000	<b>FY21</b> \$'000	change \$'000	change %
Revenue – transaction and usage fees:				
Travel platform booking revenue	9,042	6,354	2,688	42%
Expense platform revenue	4,039	3,997	42	1%
Supplier commissions revenue	4,358	538	3,820	710%
Services revenue	1,007	1,145	(138)	-12%
Other revenue	320	386	(66)	-17%
Other Income	1,019	4,476	(3,457)	-77%
Segment revenue	19,785	16,896	2,889	17%
Consideration payable to customers	(911)	-	(911)	n/a
Total revenue and other income in accordance with NZ GAAP	18,874	16,896	1,978	12%
<b>Operating Revenue by Geography</b>				
Australia	10,686	7,520	3,166	42%
New Zealand	1,539	2,154	(615)	-29%
North America	2,597	2,369	228	10%
Europe and Other	3,033	377	2,656	705%
Total Revenue	17,855	12,420	5,435	44%
Total travel bookings (000)	2,556	1,566	990	63%
Online bookings (000)	2,153	1,287	866	67%
ARPB (travel related revenue only/online bookings)	\$5.80	\$5.36	\$0.44	8%
ARPB (recurring revenue/online bookings)	\$7.83	\$8.76	(\$0.93)	-11%

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

# TRANSACTION ANALYSIS - ANZ

- New Zealand travel booking volumes peaked in June 2021 at 163% of 2019 volumes reflecting both travel recovery and increased market share in New Zealand before further lockdowns and travel restrictions began to impact from August 2021.
- In Australia, travel booking volumes recovered to 72% of 2019 volume before further lockdowns caused volumes to fall, hitting a low of 29% of 2019 levels in August 2021.
- With high vaccination levels and significant reductions in COVID related restrictions, travel volumes in March 2022 recovered to 78% of 2019 levels in Australia and to 75% of 2019 levels in New Zealand.



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

# OPERATING EXPENSES

- Total operating expenses increased 23% to \$55.1m as Serko invested for future growth.
- Selling and marketing expenses increased 50% to \$3.1m driven by increased transaction volumes and further investment in marketing initiatives.
- Hosting expenses increased 82% to \$4.9m driven by increase in online booking volumes of 67% during the year and additional infrastructure to support the Booking.com for Business migration.
- Remuneration and benefits increased by 9% owing to increased average headcount and increase in compensation per employee.
- Administration expenses increased to \$6.9m of which \$1.6m is professional fees relating to potential acquisition and consultancy services to support the design and development of a new mobile app.

Operating Expenses	FY22 \$'000	FY21 \$'000	change \$'000	change %
Total selling and marketing expenses	3,087	2,056	1,031	50%
Hosting expenses	4,932	2,710	2,222	82%
Total remuneration and benefits	32,074	29,527	2,547	9%
Total administration expenses	6,926	4,928	1,998	41%
Total amortisation and depreciation	8,038	5,633	2,405	43%
Total Operating Expense	55,057	44,854	10,203	23%
Percentage of revenue	308%	361%		
<b>Number of employees at period end</b>	312	287	25	9%

Note: A further breakdown of Operating Expenses can be found in Note 5 of the financial statements.

# PRODUCT DESIGN AND DEVELOPMENT

- Total PD&D costs increased by 33% to \$25.5m reflecting increased average PD&D headcount as Serko invested in its products to support future revenue growth.
- Product design and development (PD&D) costs is a non-GAAP measure<sup>1</sup> 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.
- Capitalised PD&D costs increased by 112% to \$15.3m reflecting the increased total PD&D costs and an increase in the proportion of PD&D costs capitalised to 60%.

<b>Product Design and Development Expenditure</b>	<b>FY22</b> \$'000	<b>FY21</b> \$'000	<b>change</b> \$'000	<b>change</b> %
Total Product Design & Development	25,548	19,203	6,345	33%
Percentage of revenue	143%	155%		
Less: capitalised product development costs	(15,320)	(7,231)	(8,089)	112%
Percentage of Product Design & Development costs	60%	38%		
Total Product Design & Development (excluding amortisation)	10,228	11,972	(1,744)	-15%
Percentage of revenue	57%	96%		
Add: Amortisation of capitalised development costs	6,386	3,909	2,477	63%
Total	16,614	15,881	733	5%
Percentage of revenue	93%	128%		

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

# BALANCE SHEET

- Cash balances and Short-term deposits increased 56% to \$124.5m as at 31 March 2022.
- Excluding funds from the capital raise, net cash burn for the year was \$35.5m, an average of \$3m per month.
- In the six months to 31 March 2022 average monthly cash burn was \$3m, lower than planned.
- Part of the lower than planned cash burn was due to additional payments from customers which are expected to reverse in the year to 31 March 2023 and are included in current liabilities.
- Other current assets increased by 15% reflecting anticipated government grant income.
- Non current liabilities increased 620% as a result of new premises leases entered into during the period and deferred income.

<b>Balance Sheet</b>	<b>FY22</b>	<b>FY21</b>	<b>change</b>	<b>change</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
Cash and Short-Term Deposits	124,513	79,919	44,594	56%
Other Current Assets	6,226	5,400	826	15%
Intangibles	32,058	23,304	8,754	38%
Other Non Current Assets	4,394	2,686	1,708	64%
<b>Total Assets</b>	<b>167,191</b>	<b>111,309</b>	<b>55,882</b>	<b>50%</b>
Current Liabilities	13,300	8,363	4,937	59%
Non Current Liabilities	3,010	418	2,592	620%
Equity	150,881	102,528	48,353	47%
<b>Total Liabilities and Equity</b>	<b>167,191</b>	<b>111,309</b>	<b>55,882</b>	<b>50%</b>

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## OUTLOOK

- We are gratified to see the strong recovery both in Australasian markets and the new markets we are pursuing. Australasian transactions through April show the post-COVID recovery has been sustained into the new financial year with booking volumes in April 2022 at 83% of April 2019 levels.
- We believe our aspiration of reaching \$100 million revenue in the mid-term remains achievable. This revenue target has been delayed during this COVID-affected year, and impacts from the pandemic and other factors continue to make it challenging to determine the timing of realisation of revenues from these opportunities.
- 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 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.
- The strong recovery from COVID in business travel markets together with our partnership with Booking.com gives us confidence that revenue for the year to 31 March 2023 will approximately double from the prior year.
- We plan to increase our rate of investment into our products and markets over the six months to 30 September 2022 to support future growth.
- We are tightly focused on execution and the application of capital to directly drive the outcomes related to both our strategy and shareholder return.

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Financial Results for the year to 31 March 2022

Investor Presentation 18 May 2022

Q&A



# Appendix

Company snapshot, risks and 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. Serko's revenue comes from Travel Management Companies (TMCs), who provide our online travel booking solution to their corporate customers, and from direct corporate travel bookings on Booking.com for Business which is powered by our technology. 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 reseller partners in North America and a global offering for small to medium sized business through the Booking.com for Business platform.



## NZX/ASX Listed

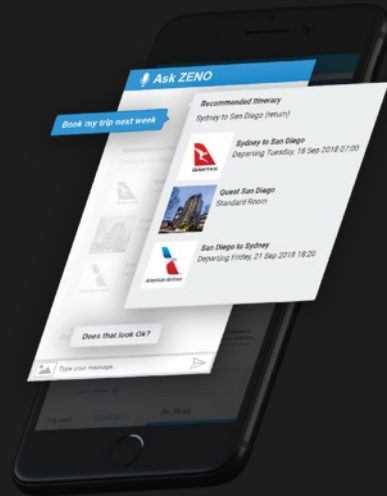
Serko listed on the New Zealand stock exchange in June 2014. In June 2018, Serko listed as a foreign exempt listing on the Australian Securities Exchange. Serko trades under the ticker 'SKO' on both exchanges.

Serko employs around 360 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.

# DEFINITIONS

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- 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. ARPB for recurring revenue is calculated as revenue from customers less services revenue divided by the total number of online bookings.
- Total travel bookings include both online and offline bookings. Offline bookings are system automated bookings.
- Segment revenue (a non-GAAP measure) is Total revenue and other income before deducting consideration payable to customers.
- Total operating revenue (a non-GAAP measure) is revenue excluding income from grants and finance income; total income includes grants.
- 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.
- 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 slide 15 for a reconciliation to Net loss after tax.
- FTE = Full time equivalent employee.

Thank you

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