

serko

Financial Results for the six months to 30 September 2022

Investor Presentation 23 November 2022

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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.



454K
Total Booking.com
completed room
nights for the period



2.0M
Online travel
platform bookings
for the period

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

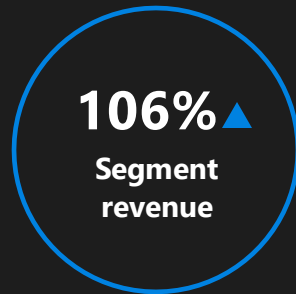
Performance compared to six months to 30 September 2021

REVENUE



\$19.4

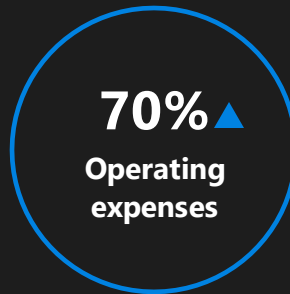
Total income from all sources including grants



\$20.3m

Segment revenue¹

COSTS



\$42.3m

Operating expenses

PROFIT (LOSS)



\$(16.9m)

EBITDAF¹ loss

BALANCE SHEET



\$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

2

Unmanaged revenue

Establish significant market share in unmanaged travel market

3

Managed revenue

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

4

Marketplace and content

Commercialise connected trip experience through an open platform

5

Culture

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

FY23 Objectives

Product health foundations

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

Conversion

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

Retain and grow

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

Platform foundations

Build the marketplace foundations through technology enablement of open integration platform

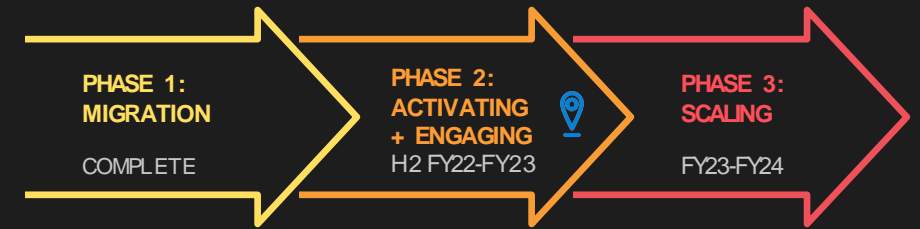
Organisational alignment

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

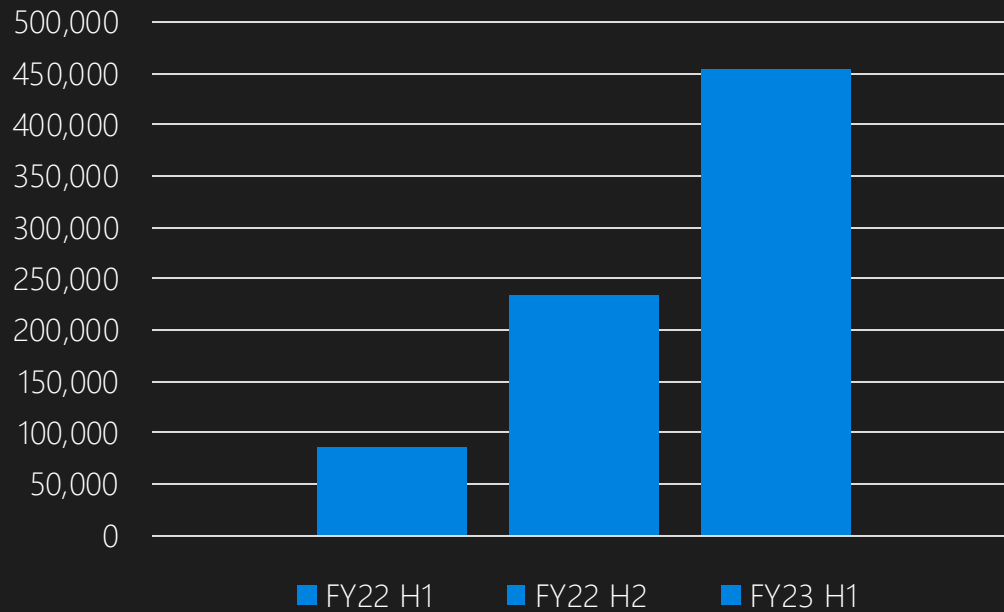
2

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.

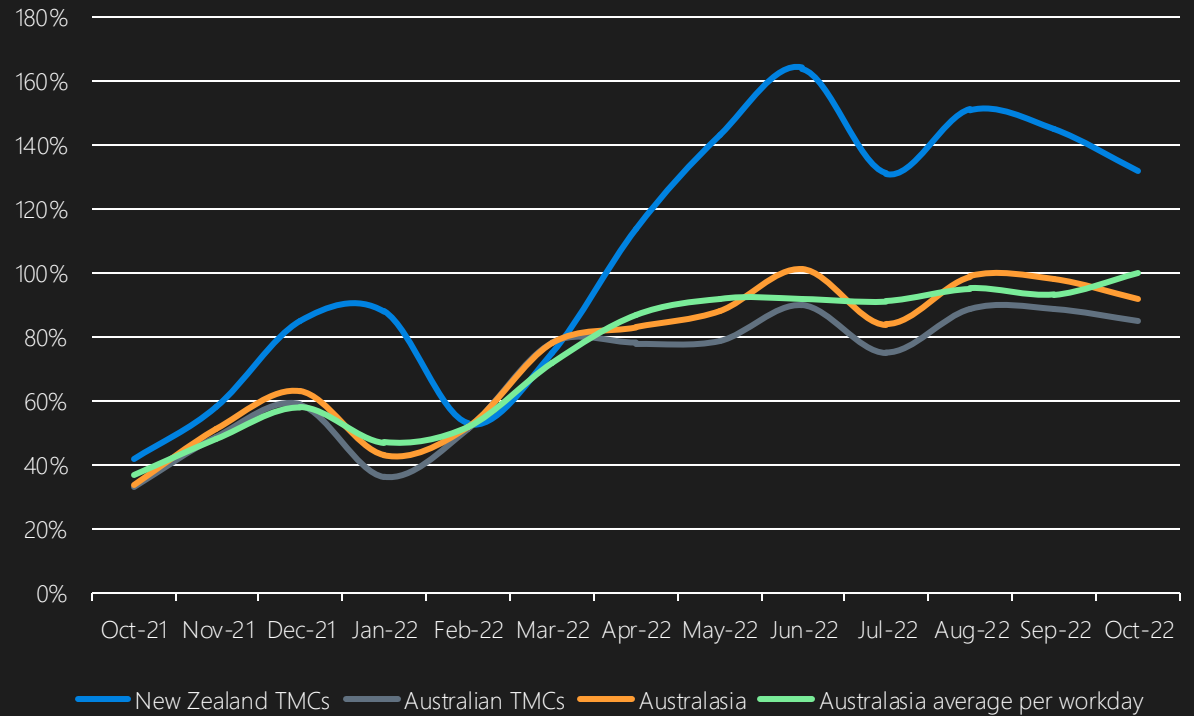
3

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 ARPCRN 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 ARPCRN 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
ARPB (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.

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

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.

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.

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Investor Presentation 23 November 2022

Q&A

Appendix

Definitions

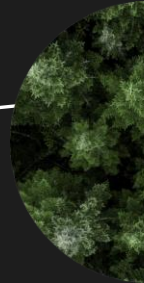
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- ARPB (Average Revenue Per Booking) is a non-GAAP measure. Serko uses this as a useful indicator of the revenue value per travel booking. ARPB for travel-related revenue is calculated as travel-related revenue divided by the total number of online bookings.
- 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

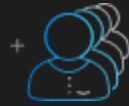


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330+
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5 Offices

New Zealand – USA
Australia – China

Thank you

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