

serko

Annual Shareholders Meeting – 21 August 2019

# Chairman Welcome

Simon Botherway



## ORDER OF MEETING

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**Chairman  
Welcome**

**CEO  
Presentation**

**Shareholder  
Q+A**

**Formal  
Business +  
Resolutions**

**General  
Business**

## SERKO'S BOARD

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Simon  
Botherway



Darrin  
Grafton



Claudia  
Batten

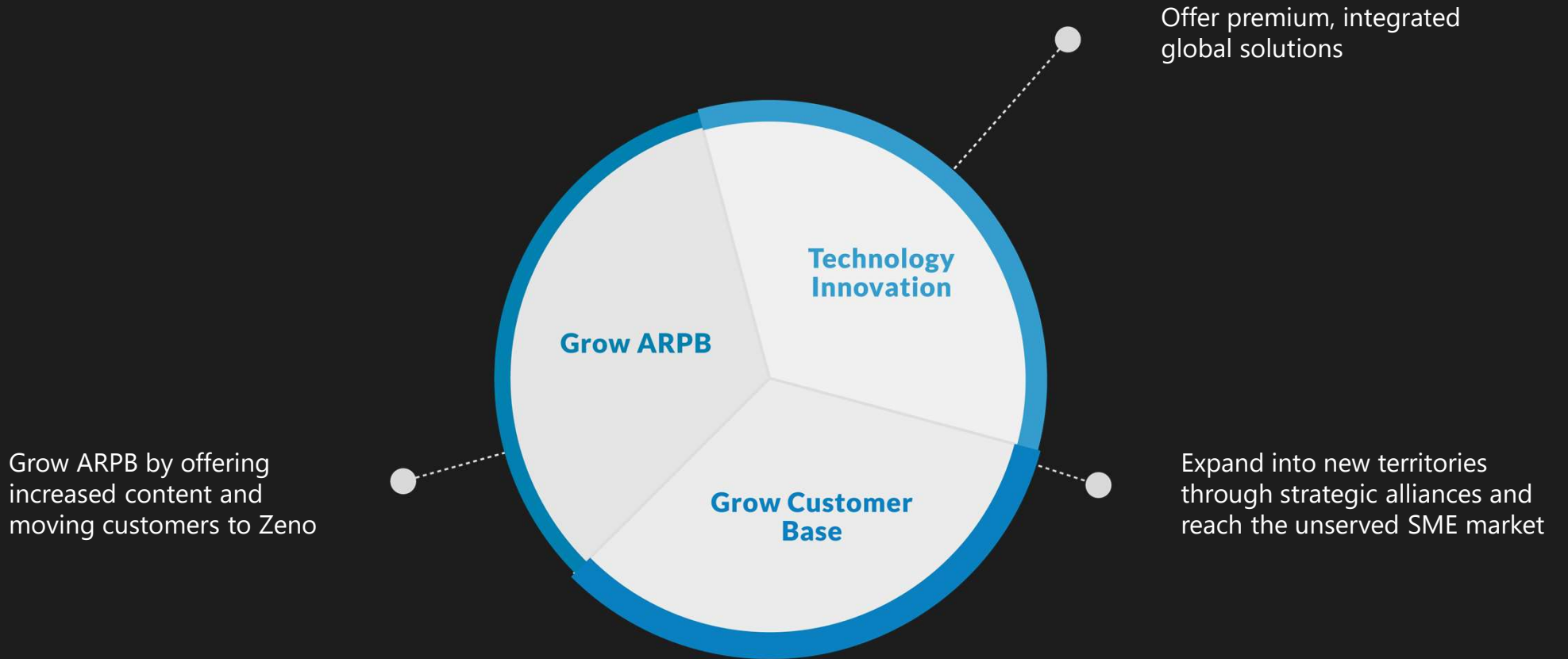


Clyde  
McConaghy



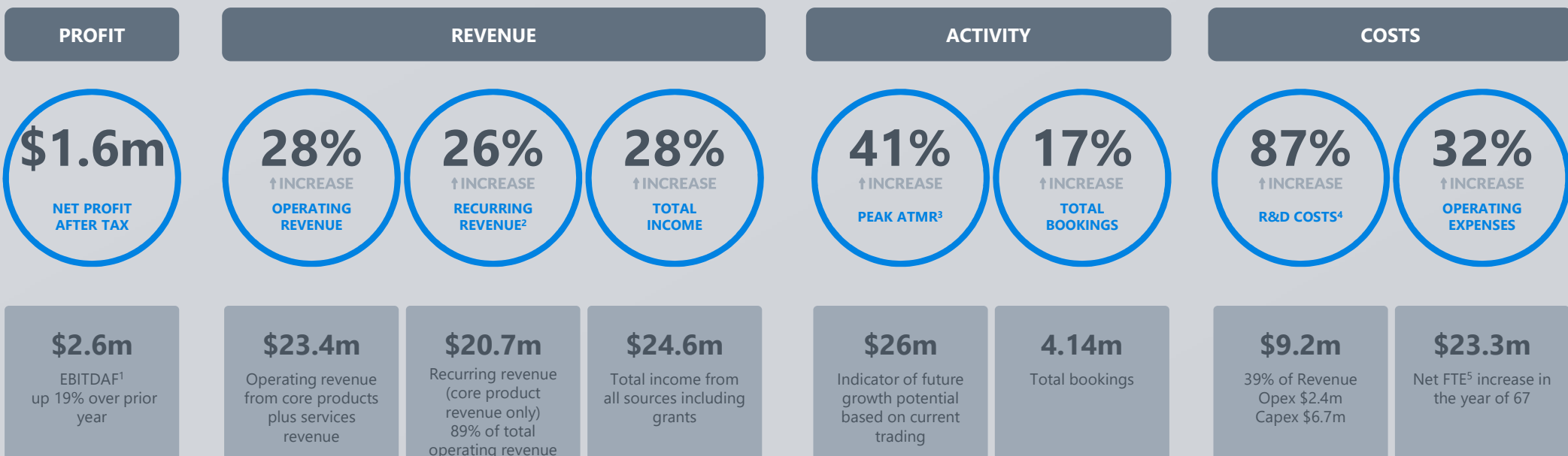
Bob  
Shaw

# DELIVERY AGAINST STRATEGY – FY19



# PERFORMANCE DASHBOARD

FY19 vs FY18



Notes 1 – 5: Refer to Appendix for definitions and for reconciliation of Net Profit to EBITDAF. Refer to Annual Report for further information

# CEO Presentation

Darrin Grafton



# zeno

85% resellers signed\*  
1,000 customers active trading



## **Northern Hemisphere:**

UK launch in FY19



## **US and Canada launch:**

Pilot customer trials



## **Major US TMCs signed:**

CWT, Direct, Vision, FCM



## **SME white-label platforms:**

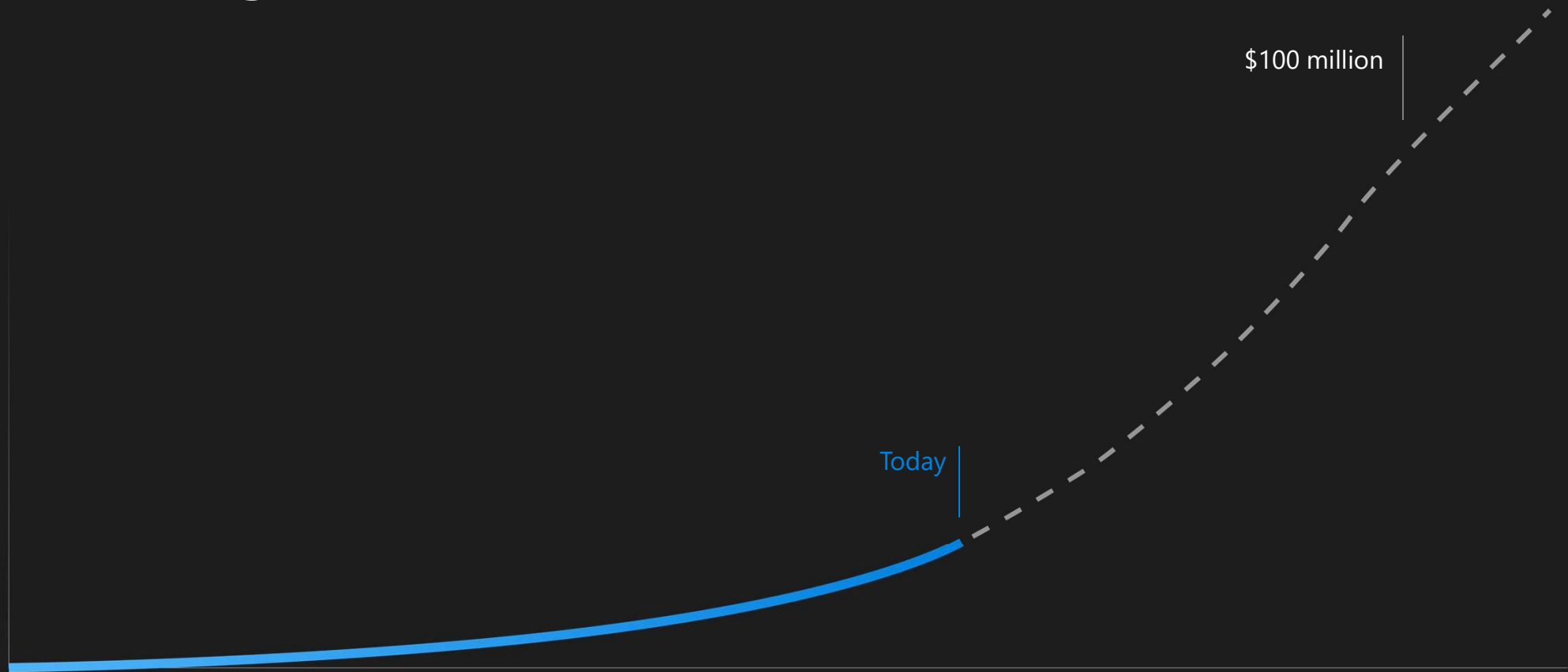
Launched in FY19

\*As measured by transactions for the year ended 31 March 2019



GBTA VIDEO

# Strategic Goal - \$100 million



# The path to \$100 million



Australia &  
New Zealand

5m  
Transactions

×

\$7  
ARPB

=

\$35m



North America

5m  
Transactions

×

\$7  
ARPB

=

\$35m



UK & Europe

5m  
Transactions

×


\$7  
ARPB

=

\$35m

# Growth Pillars

How will we get there?

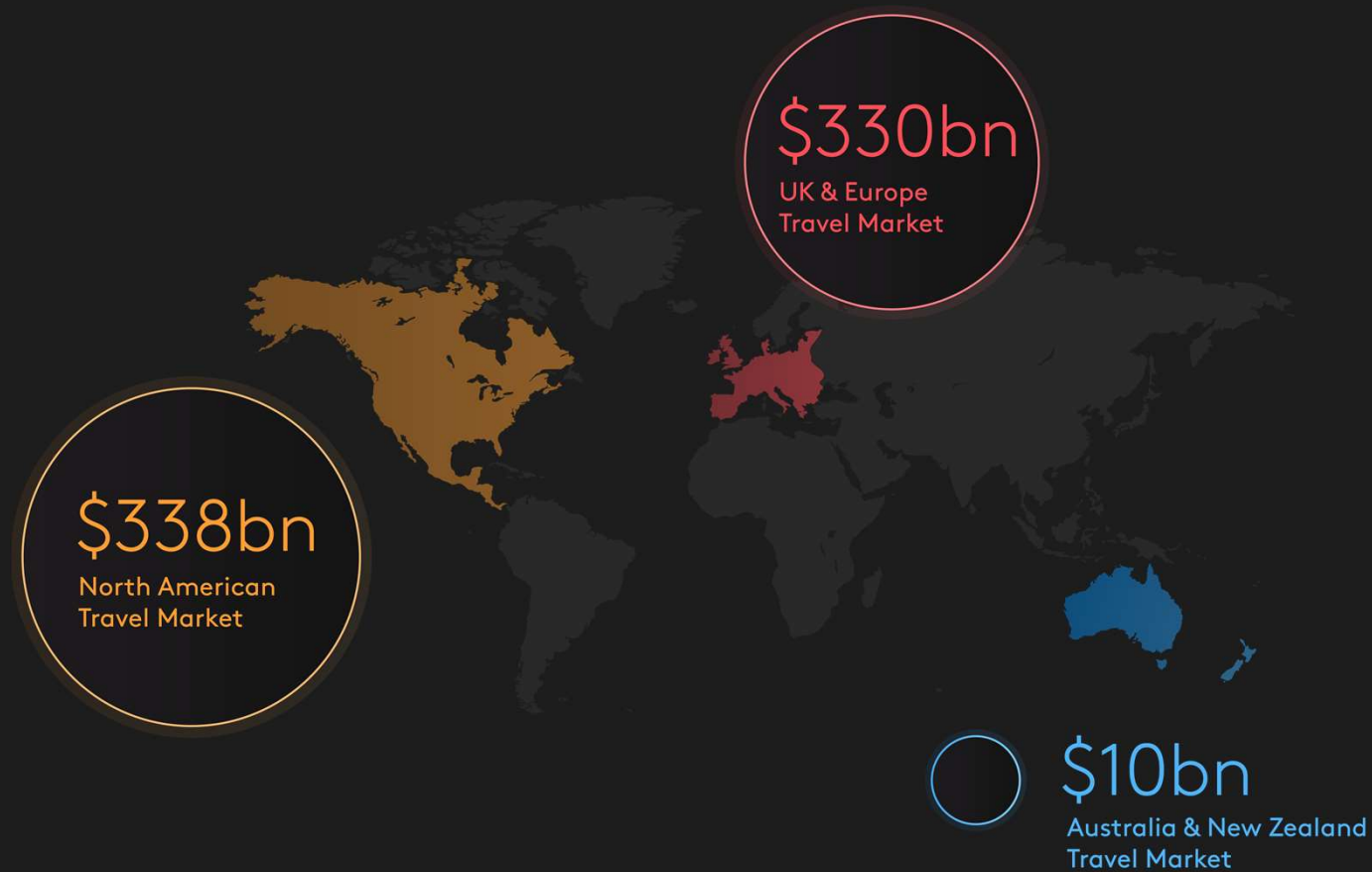


Expand Travel  
Management Reseller  
network

Penetrate SME  
Market with self on-  
boarding module and  
non-travel resellers

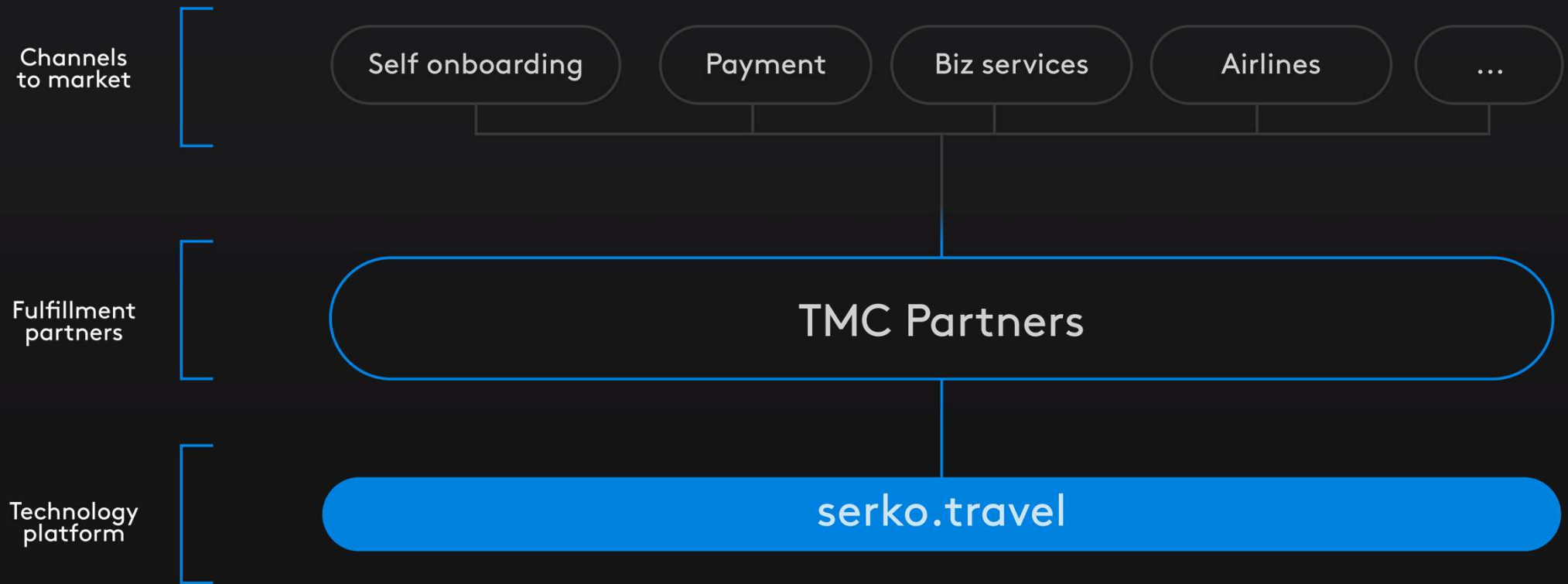
Additional content  
offerings through  
Marketplace

# Global managed travel opportunity



Source: GBTA BTI Outlook of total addressable market – August 2019

# Addressing unmanaged travel spend



# Marketplace

## POST

Expenses captured and processed on the fly – no more expense report.  
Spend vs budget analysis and identification of spend optimisation  
**zeno Expense**

## Rest\*

Comply with duty of care programs and maximise employee wellness



## Play\*

Making the most of traveler downtime and explore destinations like a local, with wayfinding guidance and connections to local experiences  
**ticketmaster**

## Eat\*

Client meetings and entertainment booked in line with policy and colleague's recommendations  
**dinova** • **OpenTable**

## Stay

Virtual check-in, upgrade offers and recommendations based on traveler preferences across 3.5m distinct hotels



## PRE

Search, book and itinerary management built around traveler preferences with 97% adoption of recommended options



## Move

Flexible ground transport options and travel concierge with intelligent alerts for travel times based on real-time traffic data



## Fly

NDC Personalised offers based on frequent flyer membership. Real-time alerts on flight and gate changes with smart bag tracking



## Work

Connecting business travellers with business services to get the job done



\*Not yet available in Zeno Marketplace

# Environmental, Social & Governance



Focusing on long-term growth and business sustainability



Applying best practice governance and risk management procedures



Cultivating an inclusive workplace of diverse and engaged staff



Enabling environmentally sustainable choices through technology



# Te Reo version of Zeno

Tō toronga e tūtohua

Tue, 27 Aug

✈ Wellington ki Auckland

📄 Kua marohitia

☰ Rārangi

☰ Māiti

📅 Tū 27 Here

🕒 10:00

Whakaatu ana i ngā ara poto rawa anake. Whakaeturia ngā ara katoa.

8:15 am ✈ \$219*	8:45 am ✈ \$219*	9:15 am ✈ \$159*	9:45 am ✈ \$219	10:45 am ✈ \$189*	11:45 am ✈ \$219*
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📌 Tiaki \$59.99 mēnā koe katāpui Air New Zealand i te 09:15 am



Air New Zealand  
NZ416

Ka wehe

9:45 am

WLG (Wellington)



Tae mai

10:50 am

Tōtika  
AKL (Auckland)

Roanga

1h 05m

📶 📶 📶 📶



Utu



# Outlook



Total Operating Revenue Growth expected to be in the range of **20%-40%**

North American and European markets is currently forecast to commence in the **second half** of the current financial year

# Q&A

# APPENDIX

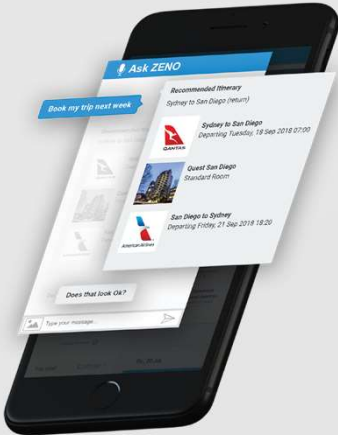
## ABOUT SERKO

- Serko provides innovative cloud based corporate travel and expense technology solutions.
- Founded in 2007 by Darrin Grafton and Robert Shaw, Serko listed on the New Zealand stock exchange in June 2014, and more recently in June 2018, has listed as a foreign exempt listing on the Australian Securities Exchange. Serko remains founder led. Serko trades under the ticker 'SKO'.
- Serko is a leading supplier of technology solutions for Travel Management Companies (TMCs) in Australasia and is now expanding into Northern Hemisphere markets with signed global supply arrangements.
- The majority of Serko's revenue comes from Travel Management Companies (TMCs) who provide our solution to their corporate customers.
- Serko is head quartered in New Zealand and employs more than 170 people worldwide including offices in Australia, United States and China and India.

# ABOUT 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

# CUSTOMERS

The majority of Serko's revenue comes from Travel Management Companies (TMCs) that act as reseller partners, providing our solutions to their corporate customers as part of their overall managed travel service.

## TMCs



## Example corporates



# COMMERCIAL MODEL

Period Ended 31 March	2019
	\$000
Travel platform booking revenue	15,948
Expense platform revenue	2,710
Supplier commissions revenue	1,538
Other revenue	467
Recurring Product Revenue	20,663
Percentage of total revenue	89%
Services revenue	2,698
Total Revenue	23,361

Corporate traveller makes a booking via Serko Online/Zeno



**Booking and other fees**  
Serko charges the TMCs a fee per booking (which varies based on volume).

Traveller submits receipts using Serko Expense/Zeno



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

Traveller books hotel or taxi via Serko Online/Zeno



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

Traveller downloads and uses Serko Mobile



**Mobile subscription**  
Serko also earns other miscellaneous revenue such as mobile licenses

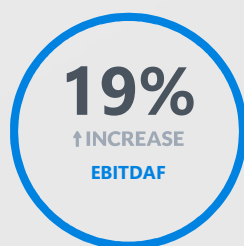
Additional Services



**Services Revenue**  
Paid customisation, market place integration or implementation assistance



## EBITDAF GROWTH



Net Profit Summary EBITDAF Reconciliation	FY19	FY18	change	
	\$000	\$000	\$000	%
Total income	24,576	19,273	5,303	28%
Operating expenses	(23,320)	(17,684)	(5,636)	-32%
Percentage of operating revenue	-100%	-97%		
Net finance income	290	414	(124)	-30%
Net profit before tax	1,546	2,003	(457)	-23%
Percentage of operating revenue	7%	11%		
Income tax benefit (expense)	87	(171)	258	151%
Net profit after tax	1,633	1,832	(199)	-11%
Add back/(deduct): income tax expense	(87)	171	(258)	-151%
Deduct: net finance income	(290)	(414)	124	30%
Add back: depreciation and amortisation	1,048	597	451	76%
Add back: fair value remeasurement*	287	-	287	n/a
<b>EBITDAF</b>	<b>2,591</b>	<b>2,186</b>	<b>405</b>	<b>19%</b>
EBITDAF margin	11%	12%		

\*Fair value remeasurement of contingent consideration on deferred consideration for InterpIX acquisition added to EBITDA as non-cash expense

# HISTORIC MEASURES

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

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

\* indicates not previously measured or reported

## 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 (a non-GAAP measure) is the recurring revenue derived from transactions and usage of Serko products by contracted customers. It excludes revenues from customised software development (services revenue).
- 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 .

## IMPORTANT NOTE

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- should be read in conjunction with, and is subject to, Serko's Annual Report, market releases and information published on Serko's website ([www.serko.com](http://www.serko.com));
- includes forward-looking statements about Serko and the environment in which Serko operates, which are subject to uncertainties and contingencies outside of Serko's control – Serko's actual results or performance may differ materially from these statements;
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