



Market Release

23 May 2018

AUDITED FINANCIAL RESULTS FOR THE YEAR ENDING 31 MARCH 2018

Serko delivers maiden annual profit, sales up 28%

Full year net profit before tax of \$2.0 million, representing a \$5.3 million turnaround on the prior year loss.

Good progress is being made on Northern Hemisphere expansion.

Serko targeting Foreign Exempt Listing on the ASX in June.

Highlights:

- Total operating revenue¹ rises 28% to \$18.3 million with recurring product revenue rising 27% to \$16.4 million. Total income (including grants) rises 25% to \$19.3 million.
- Profit before tax rises to \$2.0 million from a \$3.3 million loss in the prior year, representing a \$5.3 million turnaround.
- EBITDA² rises to \$2.2 million from a \$2.5 million loss in the prior year, representing a \$4.7 million turnaround.
- Online transactions grow 20% on the previous year.
- Annualised Transactional Monthly Revenue (ATMR)³, an indicator of future recurring product revenue rises 24% to \$18.4 million.
- Operating expenses decrease by 6% to \$17.7 million.
- Cash flow positive with an increase in cash balances of \$0.8m to \$5.2 million from \$4.45 million in the prior year.

Serko Limited (NZX:SKO) today announced its first full-year profit since listing in 2014. Economies of scale were realised as demand for its cloud-based corporate travel and expense management solutions grew strongly within the Australasian markets. As previously announced, Serko is using this success to launch into the Northern Hemisphere to continue its growth trajectory.

Serko also announces it is targeting 25th June 2018 to undertake a Foreign Exempt Listing on the Australian Securities Exchange (ASX), subject to ASX approval, as part of a drive to broaden its investor base.

Total operating revenue for the year to 31 March 2018 increased 28% to \$18.3 million from \$14.3 million in the same period a year ago and in-line with the guidance we gave in November 2017 of \$18 million to \$19 million. Total income grew by 25% to \$19.3 million.

Peak fourth quarter (February) Annualised Transactional Monthly Revenue (ATMR), an indicator of the company's recurring revenues, stood at \$18.4 million, an increase of 24% on the same period a year ago.

EBITDA for the full-year was \$2.2 million representing a \$4.7 million turnaround on the prior year's EBITDA loss of \$2.5 million. The full-year profit before tax was \$2.0 million representing a turnaround of \$5.3 million from the loss last year of \$3.3 million.

With the Northern Hemisphere expansion that commenced in the 2018 financial year, Serko expected to be 'break-even' for the second half. The actual results were an additional EBITDA profit of \$0.9 million over the first half \$1.3 million to total \$2.2 million EBITDA profit for the year. This was primarily attributable to savings associated with timing of new hires as well as some operating efficiencies. The costs associated with new hires is expected to be incurred in the first quarter of 2019 financial year (FY19).

SUMMARY FINANCIAL RESULTS

	Years ended 31 March		
	FY18 NZ\$m	FY17 NZ\$m	Net increase/ (decrease)
Revenue:			
Travel platform revenue	13.28	10.81	23%
Expense platform revenue	1.54	1.13	37%
Supplier commission revenue	1.29	0.75	72%
Other product revenue	0.33	0.24	40%
Recurring Product Revenue	16.44	12.92	27%
<i>% Total Revenue (excluding Grants)</i>	<i>90%</i>	<i>91%</i>	
Services Revenue	1.84	1.36	35%
Total Revenue	18.28	14.28	28%
Other Income	0.99	1.09	-9%
Total Income	19.27	15.37	25%
Operating Expenses (including D&A)	(17.68)	(18.76)	-6%
Net Finance Income (cost)	0.41	0.08	370%
Net profit / (loss) before tax	2.00	(3.31)	161%
Interest, Depreciation and Amortisation	0.18	0.78	-77%
EBITDA²	2.18	(2.53)	186%
Net Cash Held	5.23	4.45	18%
Employees (number)	106	108	-2%

At the end of the financial year Serko had net cash on hand of \$5.2 million, up 18% on the \$4.5 million cash on-hand at the end of the last financial year.

Chairman Simon Botherway said: “During this pivotal year, we demonstrated the scalability of our cloud-based platform and recorded a dramatic improvement in financial performance as a result.

“We have consolidated our position in our core Australasian market as the leading online business travel and expense management platform and we saw strong growth in recurring revenues across all categories. We continue to win new customers, while those already using our suite of cloud-based services are turning to us to meet more of their travel needs.”

“Increasing the number of services we provide to our customers is a core component of our strategy. In particular, content revenues such as hotels and airport transfers increased 72% to \$1.3 million, demonstrating Serko’s latent potential to capture an increasing share of our customers’ travel spend.

“It is exciting to have embarked on our next phase of growth as we significantly expand our Northern Hemisphere presence. We have made pleasing progress so far. We have recruited highly respected and experienced leaders in the US and we are expanding our support operations to ensure we have 24-hour coverage for customer support.

“As the launch of our new premium travel and expense solution Zeno shows, we remain at the forefront of technological innovation in the sector.

Chief Executive and Co-Founder Darrin Grafton said: “Serko has successfully controlled costs, generated positive cash flows and benefited from our platform scaling to serve a larger number of customers. This is best demonstrated by reference to the average revenue per ‘full-time equivalent’ staff member, which increased by \$48,000 to \$170,000.

“In short, in the 2018 financial year we continued to validate our strategy to transform business travel and expense management by delivering market leading technological innovations, growing our customer base and increasing average revenue from each booking made on our platform.”

Further commentary on our financial performance is provided in our Annual Report which has been released to NZX today and will be available on our website: www.serko.com/investor-centre.

GROWTH STRATEGY:

Mr Grafton said a key determinant of Serko’s future success in Australasia and in new markets was the take up of the new Zeno platform.

“We are pleased with the results we achieved this year. We have already signed a number of our existing Travel Management Companies (TMCs) to new contractual terms to resell Zeno as a premium solution. These TMCs are using Zeno to win new business and retain current business by providing the options of both Serko Online and Zeno.

“As part of the Air New Zealand partnership, Tandem Travel (Air New Zealand’s corporate travel division) is currently onboarding its entire customer base to Zeno and its previous solution provider is discontinuing its system this month.

“Our global growth strategy is based on partnering with leading TMCs to enter new markets. This is the same strategy that has served us well in Australasia, and the success of our relationships in our home market is now creating opportunities in other markets.

“Our new international business development team is actively pursuing significant distribution and marquee customer opportunities. As announced in February 2018, we have signed a global agreement with ATPI Group and we will begin to roll out Zeno to its customers in the UK in the first quarter of FY19. ATPI intends to extend the roll-out to customers in Europe after the UK launch.

OUTLOOK

Mr Botherway said Serko was in a stronger position than it has ever been.

“We expect total operating revenue growth of between 15% and 30% in the year to 31 March 2019.

“We are excited by the interest we have received in the Northern Hemisphere and we are preparing the business to maximise the return on this interest through into the next financial year. As we undertake this expansion in Europe and North America, we expect sales, marketing, system development and support operation costs to increase. As a result, we do not expect a substantial uplift in EBITDA.

“The Board has a policy of maintaining a strong cash reserve position and will monitor Serko’s capital requirements in light of the funding needed to execute growth opportunities both organic and inorganic.

“We are preparing for a dual-listing by way of a Foreign Exempt Listing on the ASX and are targeting a listing date of 25th June 2018, subject to ASX approval. We believe our strong presence in Australian markets will resonate with the deep pool of investors across the Tasman that understand travel and technology markets. We also believe activating this interest will benefit all shareholders.

“Serko, however, intends to remain a New Zealand domiciled business and we are committed to our New Zealand investors.

“We are naturally delighted with the rise in the value of our shares over the past year. The Serko Team has worked hard on our market communication to better articulate our growth strategy and long-term prospects.

“Further guidance will be provided at our Annual Shareholders Meeting in August,” Mr Botherway said.

Notes:

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 the auditors. Non-GAAP measures are used by management to monitor the business and are useful to provide investors to assess business performance

¹ Total Operating Revenue is revenue excluding income from grants and finance income, while Total Income includes grants

² EBITDA is a Non-GAAP measure representing Earnings Before the deduction of costs relating to Interest, Taxation, Depreciation and Amortisation and Impairment. Serko uses this as a useful indicator of cash profitability.

³ ATMR is a Non-GAAP measure representing Annualised Transactional Monthly Revenue. Serko uses this as a useful indicator of recurring revenues from Serko products, based on the monthly transactions and average revenue per booking (for its travel platform revenue) and monthly active user charges (for its expense platform revenue) annualised on a constant currency basis. Due to seasonality, Serko uses the latest month in any quarterly period that is not affected by seasonality trends. For the last quarter of the 2018 financial year Serko used the February trading month because Easter fell in March 2018 but fell in April 2017. Serko's transaction volumes are largely driven by the number of corporate working days in any given month. To aid consistency of comparison on a monthly basis from year to year, Serko now annualises using the daily weekday average for a non-seasonal month and multiplies that by 260 days in a year.

ENDS

For investor relations queries please contact:

Susan Putt,

Chief Financial Officer

Serko +64 9 309 4754 or +64 21 388 009

investor.relations@serko.com

For media relations queries please contact:

Nick Whitehead

Head of Marketing

Serko +64 21 892 996

nick.whitehead@serko.com

About Serko

Serko is a market leading travel and expense technology solution in Australasia, used by over 6,000 corporate entities and Travel Management Companies who combined book more than A\$6bn of travel a year through Serko's platforms. 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). Serko employs more than 100 people worldwide, with its HQ in New Zealand, and offices across Australia, China, India and the U.S. Visit www.serko.com for more information