FY19 INTERIM RESULTS SPEECH

Good morning and welcome to today's Interim results presentation for the six-month period ending 30th September 2018.

My name is Darrin Grafton. I'm Serko's CEO. I'm here with Susan Putt, Serko's CFO.

On the back of delivering our maiden full year profit, I am pleased to report that we remain profitable. During the half year, we increased our investment into our travel and expense platforms as we pursue further growth opportunities both within our home markets and new territories. We achieved a 25% increase in operating revenue, as we continue to grow market share in our home markets of Australia and New Zealand.

We have made good progress in our Northern Hemisphere expansion. We will cover off more detail around the Northern Hemisphere expansion and provide an update on our upcoming activities over the next 20 minutes.

You should have the presentation that we released to the stock exchanges earlier this morning in front of you and we will start on Slide 4.

SLIDE 4 *(Agenda)*

Susan is going to kick off shortly with an overview of the financial results for the six-month period. I will then give you an update on key strategic developments and then cover the outlook for the second half.

We will then have time for questions at the end.

For now, I will pass you over to Susan to cover Financial Highlights and she will start on slide 6

SLIDE 6 *(Key Measures)*

Thanks Darrin – I'm going to cover off our key measures of financial performance that we report every six months. I will then go into more detail on some items in the following slides.

As Darrin mentioned we continue to be profitable. Net profit before tax of $1 million was slightly below the prior year of $1.2 million. This is primarily related to the net effect of exchange rate movements against our hedged position as the increase in income matched the increase in operating expenses. EBITDA of $1.5 million was up 12% over the prior period of $1.3m. This is consistent with our guidance that EBITDA would be largely in line with the prior year.

Our operating revenue was up 25% at $11.4 million for the half, with 85% of revenue representing recurring product revenues sources. While the proportion of recurring revenue is lower than prior periods, it should be noted that customer demand for customisation has resulted in new contractual arrangements which include an element of committed annual development spend. Core Product revenues, excluding Service revenue was $9.6 million. Total income, including grants, was $11.8 million, up 23% over the prior period.

Annualised Transactional Monthly Revenue (ATMR) – which provides an indicator of future growth potential of Serko's annual recurring revenue – reached a peak during the six-month period at $19.4 million in August, up 15% against the prior year comparative.

August is a peak month because September can be seasonally affected by holidays in Australia.

Transactions across our travel platforms grew 21% over the same period last year and contributed to the 25% increase in Operating Revenue.

R&D spend was $3.8 million for the period and was up 58% from the prior period.

Operating costs increased 25% over the prior period.

SLIDE 7 *(Net Profit Summary; EBITDA reconciliation)*

Moving forward to slide 7.

This slide shows the summary profit statement and the reconciliation of Net Profit to EBITDA. The graph on the left shows EBITDA over time for our financial years.

In the half year to 30 September we generated EBITDA of $1.5 million which was an EBITDA margin of 13% on Operating Revenue of $11.4m.

During the first half, to carefully manage our cash position, we aimed to balance increases in costs with increases in Revenue. Operating Revenue and Operating Expenses were both up 25%.

SLIDE 8 (*Revenue* Breakdown)

Slide 8 shows revenue breakdown by type of revenue and by geography. Total Operating Revenue is made up of various sources: Travel platform revenue; Expense platform revenue; Content revenue from commissions, and Other Revenue, which largely represents miscellaneous license revenue, and Services Revenue.

Travel platform revenue grew 18%, slightly less than the 21% increase in transaction volumes. This reflects discounting for additional volumes. This first half does not have material Zeno volumes contributing to the results, however as announced in August, Flight Centre's contract extension will result in increased revenue across both platforms and will contribute to growth in the second half.

Expense platform revenue continued to grow strongly at 31% for the half.

Content revenue, from commissions earned beyond the basic booking fee, also grew strongly at 24%. Content commissions are part of the Serko strategy to provide customers with a complete suite of end to end journey offerings and is accordingly expected to lift average revenue per booking over time.

Total Services revenue was up 68% due to demand to customise our platforms as well as introducing paid content. As I mentioned, an element of this development revenue is now subject to multiyear commitments. Services revenue tends to foreshadow growth in future recurring revenue.

In relation to movement in earnings in the various geographies, you can see that the growth is primarily related to Australia and New Zealand. The growth in the USA is primarily related to US sourced commission incomes, as Zeno transaction revenues from the US had not commenced in the half.

SLIDE 9 (Product Investment)

I now turn to Slide 9 – Product Investment. This slide outlines the development spend – both the portion capitalised and expensed during the period.

During the period both Research and Development spend was $3.8 million, up 58% over the prior half year, and represents 34% of operating revenue.

The portion of capitalised spend at $1.9 million is up significantly over the prior period and represents 50% of the total spend. These capitalised costs are reflective of the investment we are making in developing our product to cater to new territories. The benefits of this investment will come in future periods.

The R&D costs which were not capitalised during the period amounted to $1.9 million, slightly less than the $2.2 million expensed in the prior corresponding period.

Net of government grants and after amortisation of previously capitalised development, the product development costs expensed in the profit for the period was $1.7 million and represents 15% of operating revenue.

SLIDE 10 *(Other Financial Highlights)*

Moving to Slide 10 and a summary of other financial highlights.

Serko completed a Foreign Exempt Listing on the ASX in June 2018. One off listing and associated professional fees were $0.3 million.

In August 2018, Serko completed a capital raise of 5.5 million shares for $15 million. The net funds raised after associated costs were $14.3 million.

Closing cash balances at 30 September 2018 were $19 million. The net cash movement in the six-month period, excluding funds raised, was a $0.5 million decrease. Excluding the listing costs, this was a decrease of $0.2 million

Headcount has increased from 106 at 31 March 2018 to 160, including contract staff of 20, at end of October and is primarily reflective of the extra development and project resources added to integrate content, develop new features and enhance core system resilience.

It has been a pleasing half year to be able to achieve revenue growth and remain profitable as we balanced expenditure to growth. We have the funding and flexibility now to invest to accelerate future growth in the 2020 financial year. We end the period in a positive position.

I am now going to pass you back to Darrin to cover off our Strategic Update starting on Slide 11.

SLIDE 11 *(Strategic Focus Recap)*

Thanks Susan.

As you are no doubt aware, Serko has a three-pronged strategy of growing our customer base, increasing Average Revenue Per Booking and delivering market-leading technological innovations to underpin our platform for global expansion.

I will cover off updates in each of these areas firstly starting with updates on growing our customer base in our home markets on Slide 12.

SLIDE 12 *(Zeno Expands Customer Base in Home Markets)*

Integral to our growth strategy during the period was Serko Zeno, our new premium service offered for the first time to customers in our home markets in October 2017 and launched wider in May 2018.

We are offering Zeno alongside our existing platform Serko Online, with a number of leading-edge features.

TMCs that have signed agreements to sell Zeno account for two thirds of our Australasian transactional volume

In addition, we are bringing new TMC customers to Serko that have signed on to work with us based on the Zeno product. Tandem Travel, Air New Zealand's TMC, which signed last year, has now fully migrated its corporate customer base to Zeno.

Serko now has over 350 corporates who have transacted through Zeno, including large corporates who transact more than 1,000 bookings per month.

In July 2018, Orbit Travel signed with Serko to bring our Zeno offering to its corporate customers. Orbit started their rollout in Australia and their New Zealand offices will start their trial customers this month. We expect that significant volumes will begin to transition in this second half and into the next financial year, as Orbit's previous booking tool is end-of-lifed.

Within our home markets, we are now in a strong position and have Zeno agreements in place with most large and mid-size TMCs.

Flight Centre have launched Savi in September 2018 which is powered by the Zeno technology, with additional features customised for them. This is part of an agreement to extend the current contract for a further four years. The agreement includes the commitment of ongoing development spend and a price increase across all transactions including those currently transacting through Serko Online.

We expect additional customers to transition to Zeno in the second half of the financial year. CWT Australasia has extended its contract to incorporate Zeno within Australia and New Zealand. Their first customer will transition to Zeno shortly.

SLIDE 13 *(Zeno Expands Customer Base in New Territories)*

Moving to Slide 13 and our progress expanding into new markets.

We are at the beginning of our journey into new markets. However, I am pleased with the progress to date.

We have signed opportunities to expand within our targeted markets, as well as being in commercial discussions with other customers. We have a global rollout agreement with ATPI and a North American rollout agreement with Flight Centre, plus other local North American travel agents who have signed contracts.

These TMCs are actively looking for an alternative to their current tool set to give them a competitive edge and are partnering with Serko to bring Zeno to the UK, Europe, Canada and the USA.

After signing agreements, we build features and integrate content. Meanwhile we train TMCs who then trial with their customers as a precursor to roll-outs across their customer bases.

Demand has exceeded our capacity as our product vision resonates with the new markets. This is a period of scaling and market activation through building content for multiple markets with the transactional growth off the back of these initiatives is expected to ramp-up in FY20. We expect investment into our platforms to accelerate in the second half. We are utilising both in-house and contract resource to ensure we have the right product and content set for successful market uptake.

The UK is now live and transaction volume is expected to build with active marketing from ATPI. We expect customer trials in Canada and then the US in the second half. In the meantime, we are building for ATPI in Europe to meet opportunities in continental Europe.

Zeno is being recognised as an innovative product in these new markets. I will now move to Slide 14.

SLIDE 14 *(Technology Innovation)*

Firstly, revisiting our vision for Zeno - Our vision for the future is for customers to book all their business travel services - from how they get to their destination, to where they fly, stay, move, eat, work, play and rest - through one interface that is at their fingertips.

And we want our customers to be able to make these bookings easily and in compliance with their employers' travel management policies with a minimum of stress and a minimum of administration.

With the enhancements to our solutions we have planned over the next few years, we are confident the evolution from the standard online booking tool to new connection platform that powers all aspects of corporate travel and expense will become the backbone of corporate travel around the world.

Zeno is the accumulation of several years of strategic investment and we continue to invest in this development. We have sought to future proof our platform by ensuring that it can integrate the content no matter the source, whether it is through the traditional Global Distribution Systems, direct connect via API's, or through Airline's NDC standards.

We have been able to integrate rail booking in the UK into our system. We have connected to Air Canada via SITA NDC connection for our Canadian TMC customers, which was activated this month. We have also connected directly with Qantas via the Qantas QDP platform as previously announced, we are assisting our travel management companies to finalise NDC for those customers also wish to access that content.

It is heartening to see our innovation now being recognised internationally as well as locally. At the BTN (Business Travel Network) Group Innovate conference held in October 2018 in the US, Serko was awarded the People's Choice award as Business Travel Innovator 2018.

Also, in early November, Serko was awarded excellence in innovation at the New Zealand Business Awards by NZ Trade and Enterprise for 2018.

ZS Associates, a top US advisory firm, conducted a market evaluation, which was recently published in the November issue of the Company Dime. They rated Serko the most robust and consumer friendly solution. Beating the market incumbents Concur, Getthere and Cytric.

SLIDE 15 *(Growing Average Revenue per Booking- ARPB)*

Moving to Slide 15 and the third leg of our strategy, increasing Average Revenue Per Booking.

The third leg of our strategy, and a driver to increasing recurring revenues, is to generate alternative sources of income in addition to base transaction fees. We are achieving this by continuing to add content to our travel offering.

Content commission, with a 24% increase for the half year over the prior period, grew at a faster rate than transaction growth at 21%. Attachment rates have increased to over 6%, up from 5.4% at the same time a year ago.

Over the last six months, we have completed integration of Hinterland flights, Sounds Air, Air Chathams and the integration of RoomIT Hotels.

We have also completed the integration of automatic receipting into our Expense system for Uber with this being released shortly.

As the uptake of Serko's solutions increases, we are being sought out by travel-related suppliers to link into our eco-system. Our new platform Zeno provides the basis to gather these services into one hub to make booking more convenient for the traveller.

We expect future services offered through Zeno to include more ground transportation options, more rail options and other travel-related content such as dining.

We expect this additional content to deliver value add services to the traveller and increase our ARPB beyond the base booking fee.

SLIDE 16 *Outlook Statement*

I now turn to Slide 16.

We have a very full work programme underway as we integrate content, develop additional functionality for the Northern Hemisphere and increase infrastructure to support global growth.

Serko retains its Operating Revenue growth guidance of 20-30% for the full financial year ending 31 March 2019. Currency fluctuations and the timing of customer onboarding will be key factors determining the final result as usual. Our second half is affected by the holiday business travel slowdown.

We anticipate that the majority of the costs associated with the development work for the Northern Hemisphere will be capitalised, resulting in our EBITDA remaining consistent with the prior period.

This will mean that we will increase cash burn in the short term but will do so with prudent management and remain profitable.

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 customer demand through into the next financial year.

Moving forward, as outlined at the time of our capital raising in August 2018, we continue to assess acquisition opportunities to support our growth objectives.

SLIDE 17 *(Q&A)*

That completes our presentation and before I turn to Q&A as per slide 17, I draw your attention to our Appendix slides after slide 17 for further information.

I will now hand back to the moderator to facilitate the Q&A.

[At the end of Q&A]

Thank you everybody for joining us on the call today. We look forward to talking with you over the next few days for those who have scheduled an investor meeting.

If, in the meantime, you have any questions, then please do not hesitate to come back to either Susan or me.

Thanks once again.

#ENDS