

18 May 2022

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Serko Ltd (SKO)

Information Technology

HOLD

SKO A\$4.28
TARGET PRICE A\$4.24

Serko is a leading SaaS technology business that provides powerful online corporate travel booking and expense management software to customers across the globe.

Company Data

| | |
|------------------------------|---------------------|
| Number of shares | 119.9M |
| Market Capitalisation | \$513.3M |
| Free float (%) | 68.0 |
| 12-month high/low | \$8/\$4.05 |
| Average Daily Turnover (\$m) | 0.068 |
| % S&P/ASX200 | 0.024% |
| DDM Ranking | N/A |
| % All Ordinaries | 0.019% |
| GICS Industry Group | Software & Services |

Source: FactSet, Barclay Pearce Capital

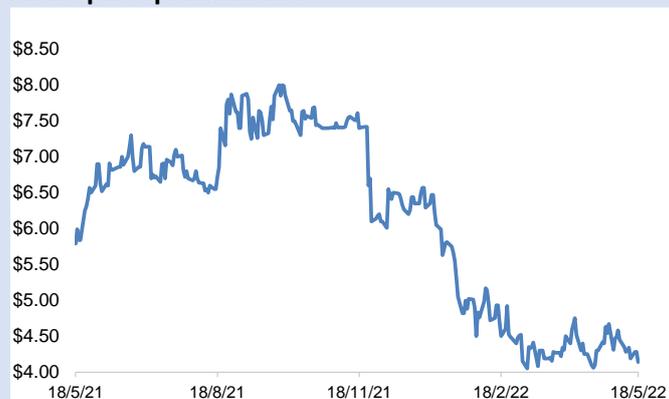
Earnings Summary (AUD)

| Year end March | 2022A | 2023F | 2024F |
|-------------------------|-------|-------|-------|
| Revenue (\$M) | 19.8 | 48.9 | 86.3 |
| EBITDA (\$M) | -28.1 | -10.1 | 9.9 |
| Reported NPAT (\$M) | -36.0 | -20.3 | -6.4 |
| Adjusted NPAT (\$M) | -36.0 | -13.9 | 1.7 |
| Reported EPS (c) | -33.0 | -9.1 | 0.8 |
| Adjusted EPS (c - FD) | -33.0 | -11.8 | 1.2 |
| Adjusted EPS growth (%) | N/A | N/A | N/A |
| Adjusted P/E (x) | -13.0 | -36.3 | 389.5 |
| Dividend (c/sh) | 0.0 | 0.0 | 0.0 |
| Gross yield (%) | 0.0 | 0.0 | 0.0 |
| Net yield (%) | 0.0 | 0.0 | 0.0 |
| ROIC (%) | N/A | N/A | 2.9 |

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

Share price performance



Source: FactSet, Barclay Pearce Capital

FY22 Financial Results

On 18th May 2022, Serko Ltd (SKO) announced its FY22 Report with the following highlights:

Financial Highlights:

- Total income (revenue and other income) increased 12% to NZD\$18.9m;
- Segment revenue was NZD\$19.8m, a 17% increase on the prior year and above the midpoint of our revenue guidance of NZD\$18.5m and NZD\$20.5m;
- Online travel booking volumes rose 67% to 2.15m, boosted by the easing of COVID travel restrictions and new Booking.com for Business transactions;
- Booking.com for Business added an additional 54,000 new registered companies, taking the total to more than 420,000 net new registered companies, while room booking volumes grew to 39,000 in March 2022;
- Average revenue per booking (ARPB) for travel-related revenue increased during the year by 8% to NZD\$5.80, driven primarily by the strong average revenue per completed room booking of over NZD\$20 for Booking.com for Business;
- Net losses after tax increased by 22% to NZD\$36.0m reflecting investment to develop the significant opportunities Serko sees in international markets. EBITDA losses increased 26% to NZD\$28.1m from NZD\$22.3m;
- Average monthly cash burn for the 6 months to 31 March 2022 was NZD\$3.0 million, lower than our guidance of close to NZ\$4m, partly reflecting additional non-recurring payments from customers; and
- Cash and cash equivalents at 31 March 2022 were NZD\$124.5m, lifted by the NZD\$83.3m capital raising (NZD\$80.1m net of costs) undertaken towards the end of 2021.

Outlook:

- Serko expects revenue to approximately double from the prior year; and
- Plans to increase the rate of investment into their products and markets in line with revenue projections.

Comment:

SKO CEO and Co-Founder Darrin Grafton said “Transaction volumes in April 2022 show the recovery of business travel has been sustained into the new financial year, reflecting a return to travel. That said, we cannot be complacent about the ongoing risks, including geo-political uncertainty, the potential resurgence of COVID and additionally the structural changes to the travel market that have occurred through the pandemic.”

Earnings changes

SKO has reported adjusted EPS of (33)c for FY22. This compares to market expectations of (29.9)c. Hence, we do not expect any significant earnings revisions for FY22 and future periods.

Valuation

We are initiating research coverage on SKO with a 12-month target price of \$4.24 and HOLD recommendation. The price target is underpinned by our valuation.

Disclaimer

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over thirty (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2021 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

Conflicts of Interest

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Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Valuation Methodology

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Barclay Pearce Capital Recommendation Proportions

| | | |
|--------------|-------|---|
| Buy | 40.7% | (0.0% of stocks with recommendations are Barclay Pearce clients) |
| Hold | 23.4% | (0.0% of stocks with recommendations are Barclay Pearce clients) |
| Underperform | 35.9% | (0.0% of stocks with recommendations are Barclay Pearce clients) |