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SLI Systems First Half Annualised Recurring Revenue (ARR¹) Meets Forecast *SaaS-based site search provider enjoys strong growth among large e-commerce providers*

Highlights:

- Annualised Recurring Revenue at 31 December 2013 rises 26% over prior year and in line with forecasts
- Growth in large customers underpins ARR growth
- Customer retention rate of 91% in line with forecasts
- Operating revenues, net losses and cash balances in line with or favourable to forecasts
- Launch of new Learning Recommendations service

Leading software as a service (SaaS) search provider SLI Systems (SLI.NZ) today reports financial results in line with forecasts and continued success in recruiting some of the world's largest e-commerce providers as customers.

Group annualised recurring revenue (ARR) – the group's key financial performance measure – at 31 December 2013 was \$21.6 million. The result is in line with internal forecasts and is a 26% increase in the ARR position from 31 December 2012. The company expects acceleration in ARR growth in the second half of the financial year as it benefits from investments made during the period since listing.

Operating revenue for the six months to 31 December 2013 was \$10.6 million with a net loss of \$2.3 million. Cash balances at 31 December 2013 were \$13.6 million. These metrics are in line with, or favourable to, internal forecasts. There are no comparative figures for the six months to 31 December 2012 as SLI was incorporated in April of last year.

SLI Chairman Greg Cross said: "In our first half year as a public company, SLI Systems has enjoyed an exciting period of growth. We have successfully executed the first seven months of our plan as laid out in the prospectus for our Initial Public Offer (IPO) in May 2013.

"We have grown revenue, customers and staff and – with this month's launch of our Learning Recommendation solution – our product lineup. This progress provides the foundation for us to continue to accelerate our growth globally," he added.

¹ This non-Generally Accepted Accounting Practice (GAAP) performance measure is defined in Note 1 of this release. Any reference to this measure throughout this release is consistent with that definition.

Growth in SLI's annualised recurring revenue over the twelve month period is at 26%. SLI Chief Executive and Co-founder Shaun Ryan said, "This result is testament to SLI's site search solutions' ability to lift our customers' online sales."

"Total customers number 445," Ryan went on to say. "While slightly under forecast, this number reflects the company's focus on growing its business with large e-commerce sites. These customers are generating higher average monthly revenue and provide an outstanding opportunity to showcase our capabilities. Our customer retention rate of 91% for the last 12 months is also in line with forecasts."

Notable new customers acquired during the period include popular American sporting goods retailers Sports Authority and Title Nine, the UK's SwimShop, and pop culture toy maker Kidrobot. The period also saw strong adoption of SLI Systems services on customers' mobile sites such as those of Dick Smith, Nike Australia, ChemistDirect, and Fortnum and Mason.

"Retailers are using our services because they see significant increases in revenue generated from their websites, driven by the fact that it's easier for shoppers to find what they're looking for," Ryan said. "The strength of this benefit is illustrated in the strong growth we've seen in the number of search queries SLI services for our customers. In the month of December 2013 we served in excess of a billion queries across our global customer base. That was 50% higher than the number of queries we served in December 2012."

Expanding the service:

Earlier this month SLI Systems announced its new Learning Recommendations service. Learning Recommendations can increase revenue for retailers by connecting site visitors with a greater set of products they may be interested in buying. The service employs a range of algorithms to find and present products known to be likely purchases based on the specifics of the shopper's situation at any point in the shopping trip.

Online retailers trialing the Learning Recommendations product in recent months have reported significant sales of the products that have been recommended by this technology. The company will continue to develop this product with input from its customers.

Expanding the team:

Since completing its IPO the company has been applying the capital raised primarily to employ additional people. Total full-time equivalent staff has increased from 119 at 30 June 2013 to 137 at 31 December 2013, with aggressive hiring of high-calibre staff continuing. Total global sales staff at 31 December was 35. The company intends to continue hiring more staff and to focus on improving the productivity of the sales team, which it believes will show significant returns.

"Our marketing leadership has been strengthened considerably at the Board and Management levels," Ryan said. "Internationally-renowned New Zealand marketer and social media innovator Andy Lark joined SLI's board as a Non-Executive Director in December. In addition, we appointed experienced e-commerce marketer Tim Callan as Chief Marketing Officer based in our San Jose office."

Outlook:

For the next 12 months the company will focus on building out and improving its marketing capability to provide qualified leads for the expanded sales team, including actively marketing its new products to existing and new customers. The company also plans to significantly increase the size of its development team in order to take advantage of a growing number of opportunities to expand and enhance its product offering.

SLI Systems expects growth in both sales and customer count to occur in its main markets of North America, the UK and Australasia and also its new markets of Brazil and Japan. The company

expects to grow ARR in line with the forecast as set out in its prospectus at the time of IPO. SLI Systems will achieve these goals through:

- Selling to more customers with its expanded sales force, both in the existing markets of the US, UK, Australia, New Zealand and Brazil, and in the new market of Japan; and
- Selling more to existing customers by having a proportion of its sales effort focused on selling them additional services.

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About SLI Systems

SLI Systems (SLI.NZ) provides leading SaaS solutions that help online shoppers connect to the products they are most likely to buy, directly driving increased sales and higher customer satisfaction for online retailers. With offerings that include site search, navigation, merchandising, mobile, product recommendations and user-generated SEO, SLI Systems is the most chosen SaaS-based site search provider to Internet Retailer Top 1,000 retailers. The company's patented technology continuously learns from the behaviour of visitors to deliver the most relevant results possible. Whether via PC, tablet or phone, a site powered by SLI delivers the kind of satisfying search experience that increases conversion rates, secures brand loyalty and results in higher order values. SLI Systems operates on five continents. For more information, visit: sli-systems.com.

Note 1

Annualised Recurring Revenue (ARR):

ARR is calculated based on the subscription revenue generated from the existing customer base in the reference month and then annualised. For example, ARR as at 30 June 2013 is calculated with reference to the subscription revenue generated from the existing customer base for the month of June 2013 and multiplying it by 12.

ARR is calculated based on the exchange rates at that time. When ARR is presented for a historical time series all points are calculated on a constant currency basis using the current exchange rates.

This is a non-GAAP financial performance measure used internally by SLI as a basis for its expected forward revenue. ARR does not account for changes in behaviour of customers to that experienced historically (e.g. retention rates, increase/decrease in activity or bad debts). This implied forward looking nature of ARR means it is typically higher than historical reported revenue at the same point in time when revenue is growing.

That is because the ARR at the end of a financial year is the subscription revenue for the month of June multiplied by 12, whereas the reported revenue will comprise all recognised revenue from 1 July of the previous calendar year to 30 June. The constant exchange rate used also smoothes out any foreign exchange fluctuations, providing SLI with a better understanding of the business's underlying performance over time.

ARR only includes revenue from SLI's customers for its Learning Search and related products and its Site Champion product; it does not include revenue from SLI's Related Search product, which it does not actively promote. For the Site Champion component of ARR it is necessary to apply judgement to mitigate the effects of one-off events that impact the base month revenue of the calculation. For example, SLI makes adjustments to revenue at a customer level to account for seasonality, Site Champion revenue growth and customer size.