

## FINANCIAL RESULTS FOR THE SIX MONTHS TO 31 DEC 2016

### SLI first half result shows core metrics have improved

*Software-as-a-Service (SaaS) e-commerce accelerator says its sales and marketing reorganisation is delivering early benefits; annualised recurring revenues up modestly in last 6 months, reversing earlier falls*

#### Key Points

- Annualised Recurring Revenue (ARR)<sup>1</sup> on a constant currency basis rises 0.3% in the six months to 31 December 2016 compared to a 7.9% reduction in the previous six months
- Customer retention rate steady at 84% last 12 months, annualised rate of 87% over the last six months
- Half year net loss widens to \$1.3 million from a \$446,000 loss in the prior year's period as investment in growth continues
- Cash balance as at 31 December 2016 of \$6.0 million is in line with internal targets
- Continue to monitor cashflows and remains committed to achieving cashflow breakeven without additional capital raise
- Customer mix is improving, with new customer initial average contract value (ACV) of \$40,000
- Release of SLI Enhanced Search Personalisation (ESP)<sup>™</sup> product

**CHRISTCHURCH, New Zealand – February 23, 2017**– SLI Systems (SLI.NZ) today reports its broad-ranging sales and marketing re-organisation is showing early signs that it may rebuild momentum in the second half.

#### First half 2017 financial and operational results

In the six months to 31 December 2016 ARR grew by \$90,000 on a constant currency basis to \$31.1m. This result represents a constant currency 0.3% increase in ARR in the six months to 31 December 2016 and a sharp improvement over the 7.9% reduction in the six months to June 2016. Growth in the six months was led by the EMEA region, which added \$321,000 to ARR. It was followed by the APAC region, which added \$162,000. ARR in the Americas fell by \$393,000.

Half year operating revenue was \$15.5m, down 10.9% from the same period a year ago. This decrease was due to the strength of the New Zealand dollar, and the customer losses incurred in the fourth quarter of the 2016 financial year, with the expected impact of both of these events signalled to the market when we released our results in August last year.

<sup>1</sup> Annualised Recurring Revenue (ARR) is a non-GAAP financial performance measure used internally by SLI as a basis for its expected forward revenue. ARR is calculated based on the subscription revenue from the existing customer base in the reference month and then annualised using exchange rates at the end of the reference month. ARR does not account for changes in behaviour of customers. For the Site Champion component of ARR it is necessary to apply judgement to mitigate the effects of one-off events that impact the reference month revenue of the calculation.

Net loss before tax for the half year was \$1.3 million compared to a loss of \$446,000 in the prior year's period, reflecting continuing investment in the business. Cash on hand as at 31 December 2016 was \$6.0 million down from \$6.8 million at the end of June 2016, but in line with internal targets.

### [First half 2017 commentary](#)

Chairman Greg Cross said: "SLI has undergone a period of tremendous change in the past year as we have worked to rebuild momentum in our business. We have introduced new sales and marketing strategies and disciplines, and driven operational improvements across a broad range of areas in our business.

"We are starting to see early signs that the changes we are making can deliver the desired performance improvements. We are also in a strong financial position with \$6 million cash on hand and over \$31 million of recurring revenue.

"As previously indicated, we believe we have sufficient capital to meet our current business plans but we continue to monitor cashflows and remain committed to achieving cashflow breakeven without an additional capital raise."

Chief Executive Chris Brennan said: "SLI is well positioned to capture the continuing strong growth in e-commerce markets and the trend for our customers to personalise visitors' experiences on their websites to drive sales improvements.

"The new sales team is becoming more effective in closing new business and selling more services to existing customers. We are successfully transitioning new products to the market and driving improvements in customer retention.

"Additionally, in the second quarter of the financial year, we have seen what we believe is an encouraging improvement in the effectiveness of our efforts to build the profile and recognition of our business among target customers.

"The improvements have included the repositioning of the company, the launch of a new website, and the introduction of a world-wide sales training programme. We also introduced new tools to measure campaign effectiveness and manage the pipeline of sales leads. Although these initiatives have not yet increased ARR we are optimistic that we will see the benefit of these in the short term.

"New customer growth remains our focus for both marketing and sales globally. We are pleased with the progress we have made in sales to large customers. Our success was most evident in the two major wins we achieved during the period: US homeware retailer Crate & Barrel (an Internet Retailer Magazine Top 100 Global e-commerce Company) and US motor parts retailer Rocky Mountain ATV.

"Average annual contract values for new customers signed up in the half increased to \$40,000 from \$32,000 for the previous six months, indicating an improving customer mix.

"Our customer retention rate on an annualised basis was 84%, in line with the rate we achieved in the year to 30 June 2016. However, if we look at the last six months alone, our customer retention rate improved to an annualised rate of 87%, showing we are trending in the right direction.

“We have seen the market respond favourably to our market-leading machine learning and personalisation offerings. Our approach is aligned with broad thematic trends for personalisation in e-commerce markets and we see no letup in these developments.

“During the first half of the current financial year we strengthened our position at the forefront of the market with the launch of SLI Enhanced Search Personalisation (ESP)<sup>™</sup>, which personalises the results shown on search and navigation pages in real time.

“We also launched a new section in our Commerce Console that gives control over Site Champion, our search engine optimisation product, and a new JavaScript tracking technology that provides more comprehensive data for personalising the shopping experience.

“To extend our leadership and to exploit the potential for further improvements in personalisation and e-commerce site conversion rates, we have identified a need to invest more in our product.

“Our development goals include: providing support for HTTP2, a major revision of the internet network protocol, which promises speed and performance improvements for retailers; adding SSL certificate management to our Commerce Console; and releasing a new analytics platform, which will provide enhanced scalability and flexibility over our current systems.

“We also plan to make improvements to Site Champion and accelerate already-planned product enhancements. Our mission remains: to provide an industry-leading product-discovery platform that is indispensable to our customers.

## Outlook

“SLI is well positioned to capture the continuing strong growth in e-commerce markets and the trend for our customers to personalise visitors’ experience on their websites to drive sales improvements.

“We are deploying our sales and marketing resources more efficiently and will be investing more in research and development to ensure we maintain our machine-learning market leadership, while carefully managing our cash reserves.

“We are also encouraged by the signs that the changes we have made will drive improvements in our growth pipeline and we are optimistic we will start realising the benefits in the latter half of this calendar year,” Mr Brennan said.

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## About SLI Systems

SLI Systems (SLI.NZ) accelerates e-commerce for the world's top retailers by generating more traffic, converting shoppers into buyers and maximising order values. The SLI Buyer Engine™ is a cloud-based, machine-learning platform that powers all SLI apps and predicts what shoppers are most likely to buy, through solutions that improve site search, navigation, mobile, merchandising, recommendations and SEO. The SLI Commerce Console™ organises key sales insight and tuning capabilities into one easy-to-use control centre. For 15 years, established brands have trusted SLI Systems to deliver innovative features, knowledgeable service, and reliable SaaS-based infrastructure, that delights customers and increases revenue. SLI operates on five continents, in 20 languages and across more than 1,000 websites, and is the most chosen cloud-based site search provider to U.S. Internet Retailer Top 1000 retailers. For more information, visit [www.sli-systems.com](http://www.sli-systems.com).