



Full Year Results

June 2014

Presenting today



Dr. Shaun Ryan
CEO and Co-Founder

- Over 15 years of experience in search technologies
- An original developer of the Company's unique "Learning Search" site search technology
- Original founder of GlobalBrain in 1998 (acquired by Snap/ NBCi.com in 2000)
- PhD in Artificial Intelligence from the University of Canterbury



Rod Garrett
CFO

- Over 20 years of experience in finance and related roles
- Previously worked for Price Waterhouse working mainly on insolvency/corporate recovery, and former CFO of Christchurch electronics developer and manufacturer Eaton Power Quality Ltd
- Honours degree in Accounting and Finance from Otago University

Highlights

Two
**new
products**
launched

Operating revenue of
\$22.1m
vs prospectus forecast
\$22.2m

Gross margin at
74.6%
compared to
74.1% forecast

Cash of
\$11.4m
favourable to prospectus
forecast of \$7.3m

ARR¹ of
\$24.9m
increased 29.4% over
prior year

Loss before tax
for the period of
\$5.9m
compared to
\$7.1m forecast

Customer Retention
Rate (CRR) is at
90%
(vs 91% forecast)

1. Annualised Recurring Revenue, a non-GAAP financial performance measure used internally by SLI that represents the annualised monthly recurring revenue from SLI's customers for its Learning Search and related products and its Site Champion product on an assumed constant currency basis using the PFI exchange rates. ARR does not include revenue from SLI's Related Search product, which it does not actively promote.

SLI makes e-commerce easier

SLI makes e-commerce easier by making online retailers' products easier to find:

- Better site search and navigation on all devices
- Better visibility in Google and other search engines
- Product recommendation

SLI increases online retailers' revenue

- If people can find what they want, they are more likely to buy



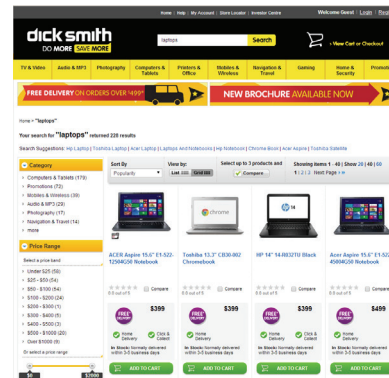
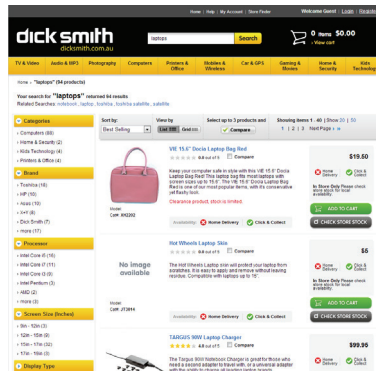
e-commerce
accelerated



Learning Search adds revenue

Every e-commerce platform comes with keyword search functionality, normally mediocre at best.

Example: a search on Dick Smith for “laptop” before and after SLI



“The ability to tweak things on the fly is very important to us and that is what SLI has been able to provide.”



30% increase in revenue

conversion rates increase from **3.7% to 6%** in one year (previously used Endeca)

better
search
= more
revenue

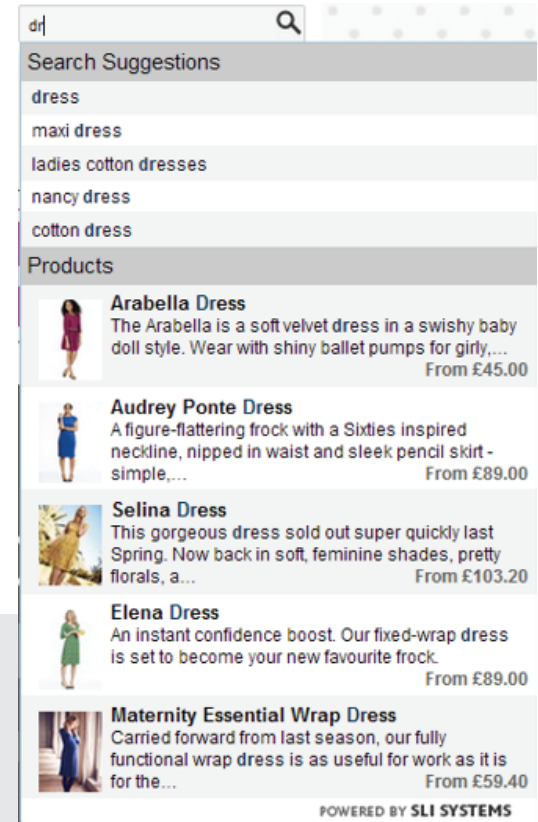


Rich Auto Complete adds revenue

- Shows search terms and products as you type
- Faster to find the products you want
- 2x conversion
- Higher average order value (AOV)

"Rich Auto Complete gives our customers an instant visual cue, guiding them to the best item for their search."

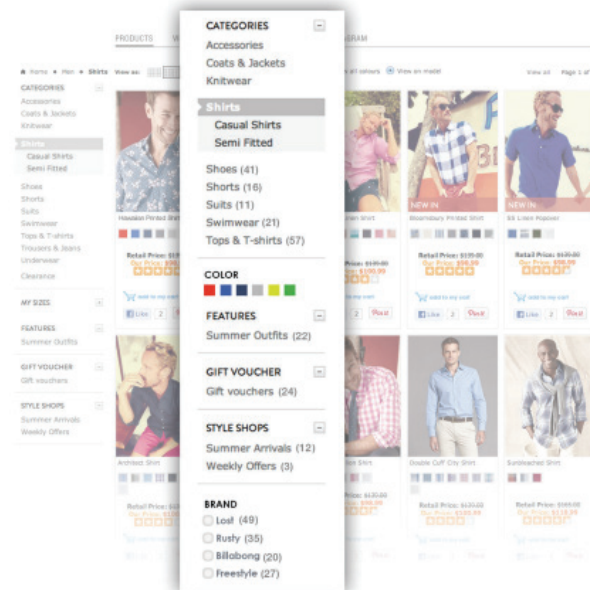
better
search
= more
revenue





Learning Navigation adds revenue

- Sophisticated navigation makes products easier to find with less clicks
- Consistent with search



better
navigation
= more
revenue

PartySupplies.com

up 3% conversion rates

"Since switching to SLI Systems' Learning Navigation pages, bounce rates on category pages are down 40%. Pages per visit have increased 53% and conversion rates have increased 3%"



SLI Mobile adds revenue



- Search and navigation optimized for the small screen
- Rich Auto Complete for query formation and speed
- Product pages optimized for mobile devices

"With SLI's help, we're providing a seamless shopping experience no matter how or where people come to e.l.f."

e.l.f.
eyes lips face

4x increase in conversion for mobile shoppers

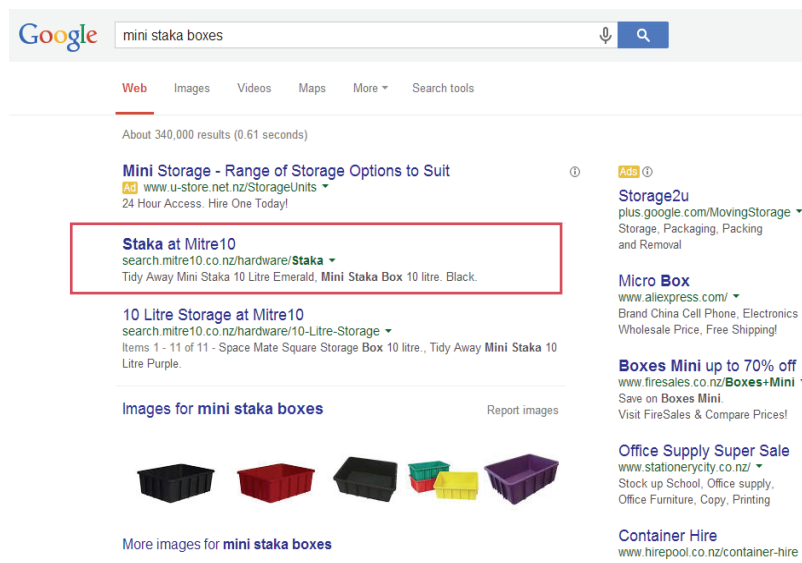
higher
conversions
= more
revenue



Site Champion increases traffic

Automatically creates pages optimized for keywords used in site search

Pay for performance



"We see a return of \$127 for every \$1 we spend with SLI Site Champion."



30% increase in revenue

19% increase in conversion rate

more
traffic
= more
revenue



new

Learning Recommendations adds revenue

- Automatically generated product recommendations
- Customized strategies
- Learning improves relevance

relevant
recommendations
= more
revenue

Customers Who Bought This Item Also Bought

 Verdicchio Classico Sartarelli 2012 (750ML) \$12.99 \$10.39 Add To Cart	 90 WS Seven Falls Wahluke Slope Cabernet Sauvignon 2011 (750ML) \$15.00 \$12.00 Add To Cart	 Pinot Grigio Livio Felluga 2012 (91JS) (750ML) \$21.99 \$17.59 Add To Cart	 Pinot Grigio Scarpa 2013 (750ML) \$12.99 \$10.39 Add To Cart
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Customers Who Viewed This Item Also Viewed

 Benziger Cabernet Sauvignon 2010 (90WE) (750ML) \$18.50 \$14.80 Add To Cart	 Chianti Classico Riserva Viticcio 2009 (94JS) (750ML) \$31.00 \$21.00 Add To Cart	 Pinot Grigio Villa Marchesi 2013 (750ML) \$10.50 \$8.40 Add To Cart	 Assisi Grechetto Sportoletti 2012 (750ML) \$11.99 \$9.59 Add To Cart
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zachys
WINE AND LIQUOR, INC.

10% increase in AOV

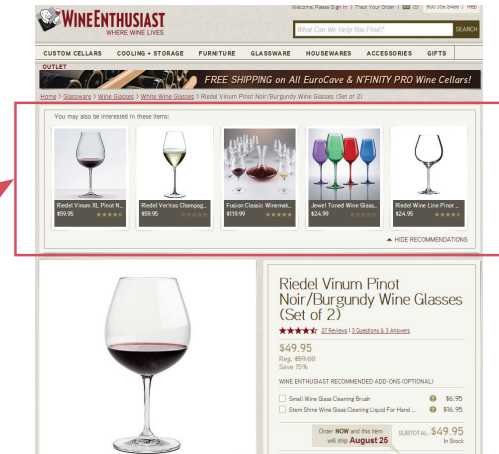
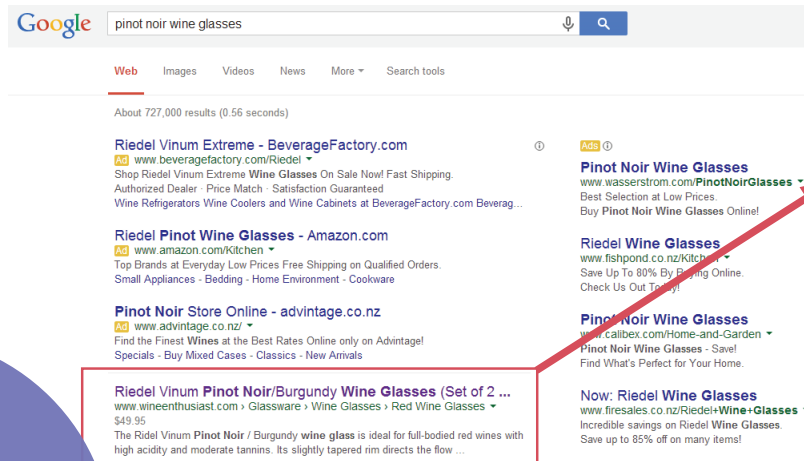
No reduction in conversion rate



new

Dynamic Product Banners increases conversion

- Show a broader range of products when people visit a product page from Google or other search engine
- +10% conversion increase



improved conversions
= more revenue

"These banners make a real impact on lowering our bounce rate from landing pages. They're easy to set up, so it's a simple way to make sure customers find the right product and buy it from our site."



Close customer relationships drive growth

Our customer service model is unique

- Charges are built into the monthly cost
- Customers get a dedicated Customer Success Manager
- We are one of the most responsive vendors in the industry
- Our service draws on an ever improving set of best practices
- We ensure customers get value from our products

We foster customer advocates

Customer driven product innovation

- Product suggestions from customers
- A willing pool of beta customers
- Expanded product range delivered through our unique service model

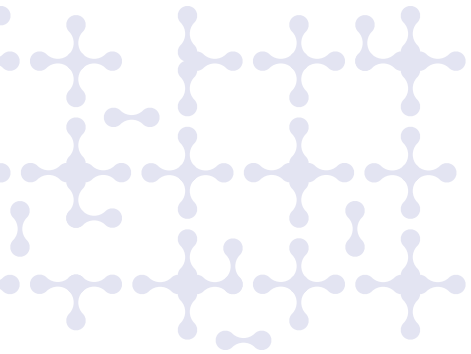


E-commerce is large and growing

➤ **110,000**

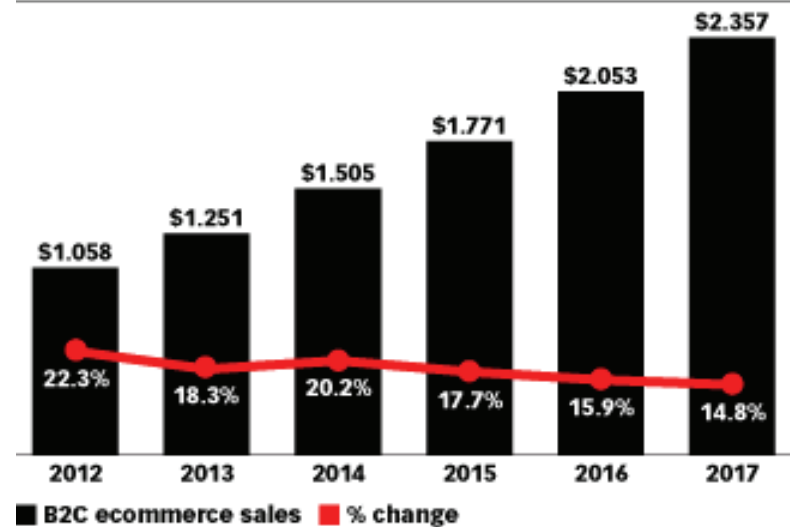
e-commerce sites generating
revenue of meaningful scale*

➤ **CAGR
of 17%**



*Source: <http://blog.rjmetrics.com/2014/06/18/how-many-e-commerce-companies-are-there/>

B2C Ecommerce Sales Worldwide, 2012-2017
trillions and % change

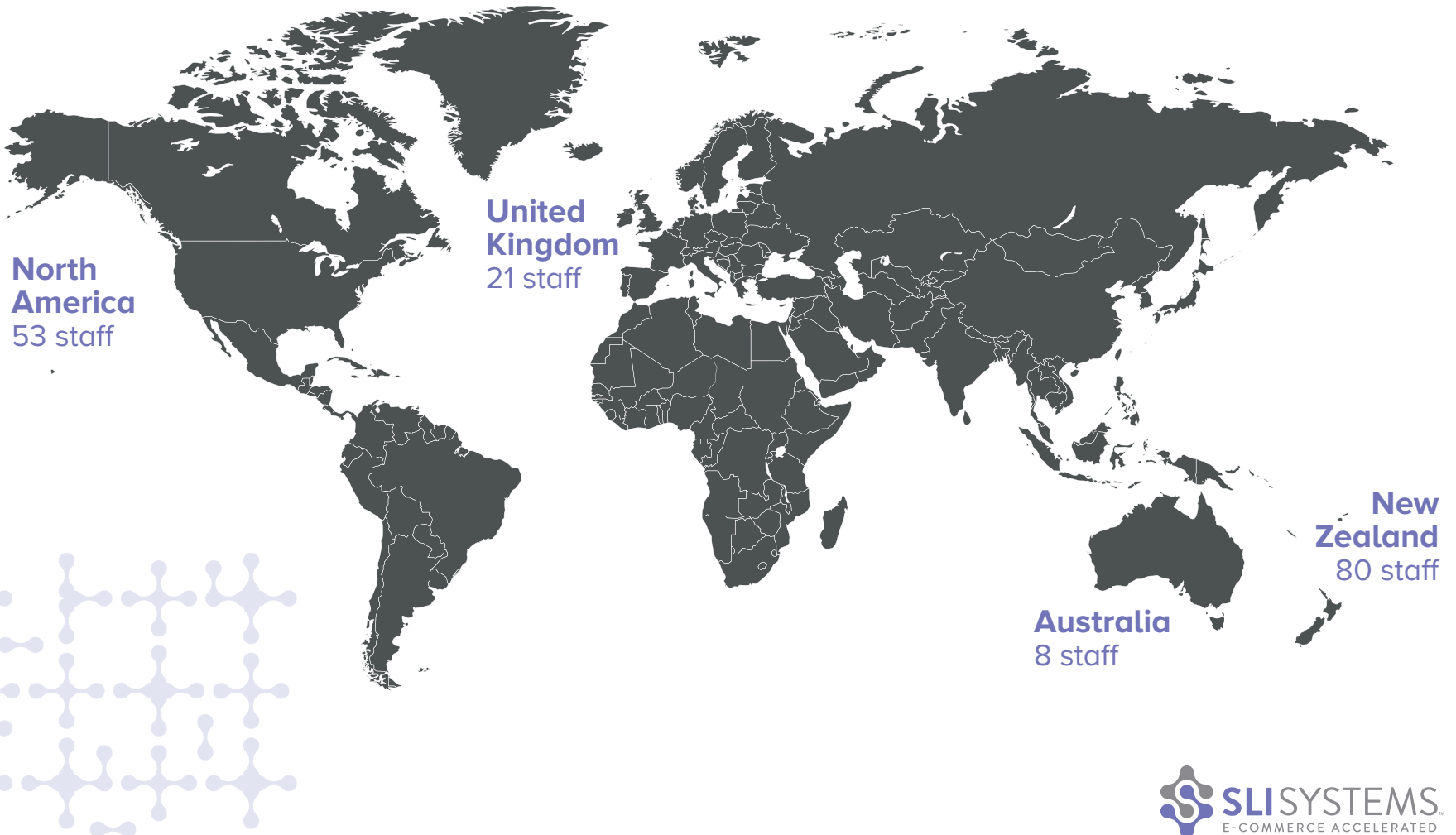


Note: CAGR (2012-2017)=17.4%; includes products and services ordered and leisure and unmanaged business travel sales booked using the internet via any device, regardless of the method of payment or fulfillment
Source: eMarketer, Jan 2014

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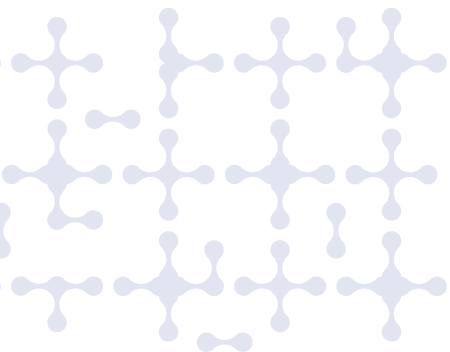
www.eMarketer.com

We have grown our team globally



SLI makes e-commerce easier

- Subscription-based Software as a Service (SaaS) recurring revenue model.
- Proven direct sales model with track record of success
- Growth in revenue from existing markets, opportunities in new markets, existing customers growing their e-commerce sales and upselling additional products / features
- High customer retention rates (approximately 90% by value) - customer care model creates strong advocates
- Compelling long term value potential created with each new customer through high gross margin (74.6%), coupled with high retention



#1 SaaS site search provider

Vendor	2013	2014	SaaS or Software
Oracle/Endeca	113	112	Software
SLI Systems	73	84	SaaS
Nextopia	44	48	SaaS
Adobe	42	40	SaaS
Google	37	35	Hardware
Apache Solr	12	27	Software
Thanx Media	10	27	SaaS/Software
Celebros	20	20	SaaS/Software
Magento	15	17	Platform Software
Demandware	16	14	Platform SaaS
EasyAsk	12	13	Software

Source: Internet Retailer 2014

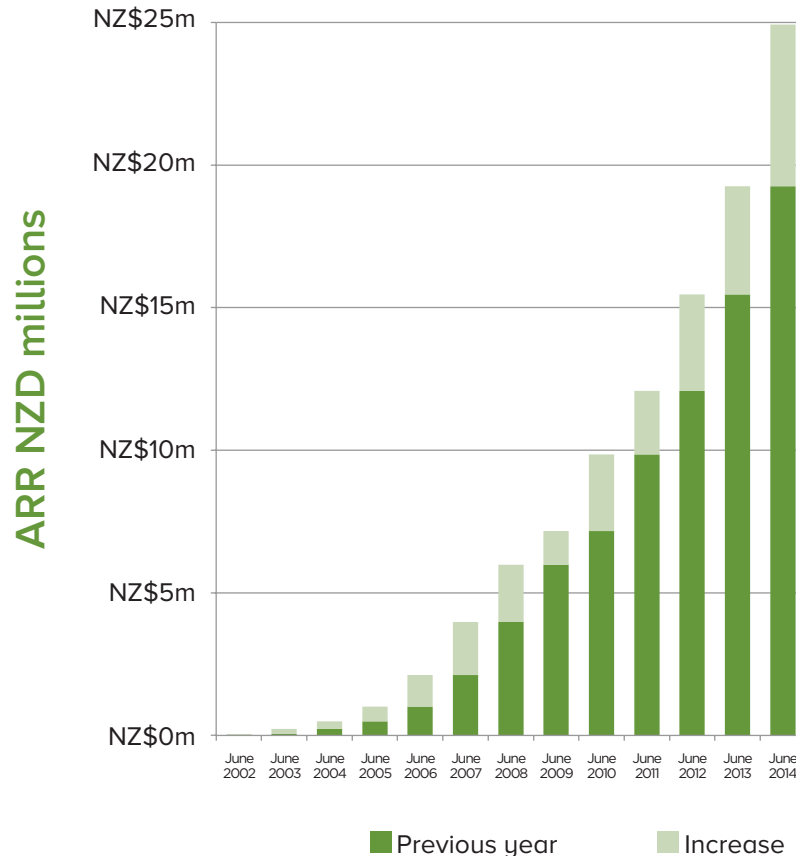




Financial Overview

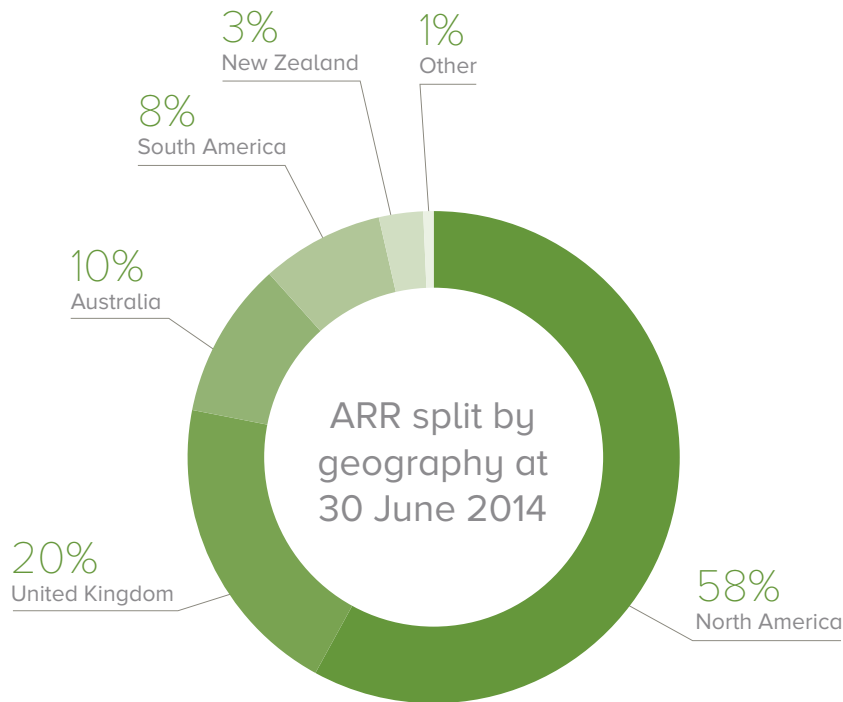
Annualised Recurring Revenue (ARR)

Historical ARR at June Each Year



- ARR of \$24.9m at 30 June 2014 (29.4% growth over last 12 months)
- 96.3% of PFI target of \$25.9m
 - Slower sales and marketing recruitment
 - Recruiting new sales leadership
 - Recruited sales trainer
 - Investing in HR to accelerate recruitment
- Constant PFI exchange rates used

ARR split at June 2014



ARR Growth by Geography

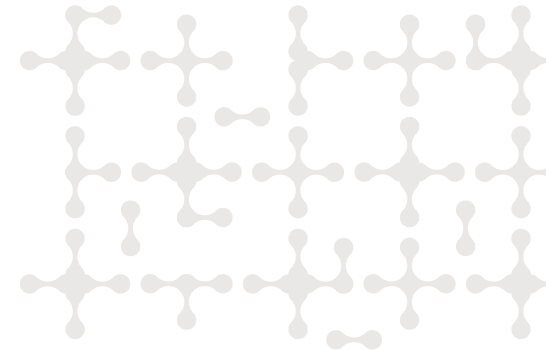
Region	Percentage increase in ARR in last 12 months
South America	95.1%
United Kingdom	45.4%
Australia	22.6%
North America	22.3%
Other	7.8%
Total	29.4%

Income Statement

NZ \$'000	Full Year FY13	Full Year FY14	Full Year FY14 per PFI
ARR	19,300	24,900	25,900
Operating revenue	18,310	22,117	22,200
Other income	645	751	500
Delivery costs	4,222	5,618	5,745
Growth costs	9,410	14,608	15,876
Other costs	7,379	8,555	8,161
Total costs	21,011	28,781	29,782
Loss before tax	2,056	5,913	7,082
Gross margin	76.9%	74.6%	74.1%

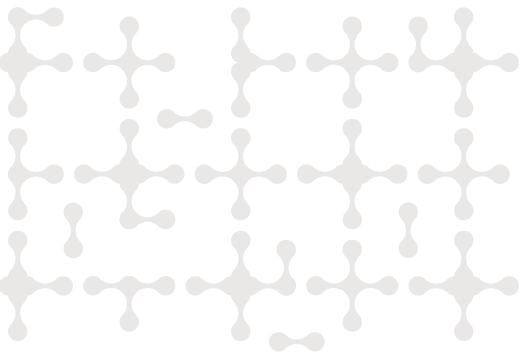
A great return on growth costs

- Average customer value ARR of \$48,000 per annum
- Margin of 75%
- Retention rate of 90% => average customer lifetime of 10 years
- Lifetime value of $\$48,000 \times 75\% \times 10 \text{ years} = \$360,000$
- Average S&M cost of customer acquisition of \$57,000
- Ignoring discount factor return of >6x



Cashflow

NZ \$'000	FY14	PFI June 14	Variance
Loss before tax	(5,913)	(7,082)	1,169
Movement in Working Capital	744	(494)	1,238
Net proceeds from capital investment	1,427	334	1,093
Capital expenditure including depreciation	(251)	(504)	253
Net increase (decrease) in cash and cash equivalents	(3,993)	(7,746)	3,753
Opening cash balance	15,382	15,066	316
Closing cash balance	11,389	7,320	4,069



Retention rate

- Important to provide long term value
- 90% by value
- Main reason for leaving is changing e-commerce platforms
- Marketing program underway to mitigate

Case Study I



Business problem

After migrating to a new e-commerce platform, Thompson & Morgan received negative customer feedback about the built in site search.

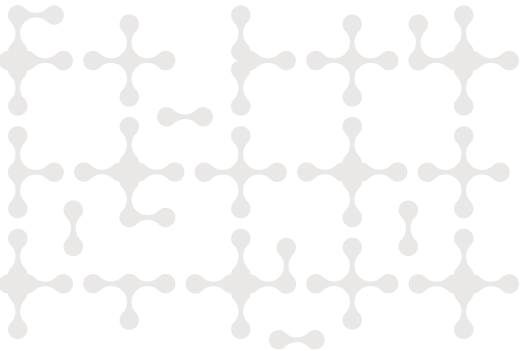
Solution

Thompson & Morgan returned to SLI and quickly saw a rise in conversion rates, referrals and site revenue.

Our plans

Acquisitions

- To grow ARR and market share we are evaluating potential acquisitions
- We assess opportunities, based on
 - Expanding market share
 - Expansion of existing product range to upsell to existing customers
 - Accelerating growth in key geographies



Growth strategies

1.

Grow faster in the US

- Adding experienced sales leadership
- Benefiting from new marketing leadership
- Building a high performance sales team through structured training and better processes
- Reduce cost of customer acquisition

2.

Increasing revenue from existing customers

- Focus of upselling additional products
- Introduction of new products

3.

Opportunities in new markets

- Just starting after setback in Japan, still big opportunity

e-commerce accelerated