

# Half year results

February 2014

**SLI SYSTEMS**  
Search, Learn & Improve

# 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

## 1. We are on target

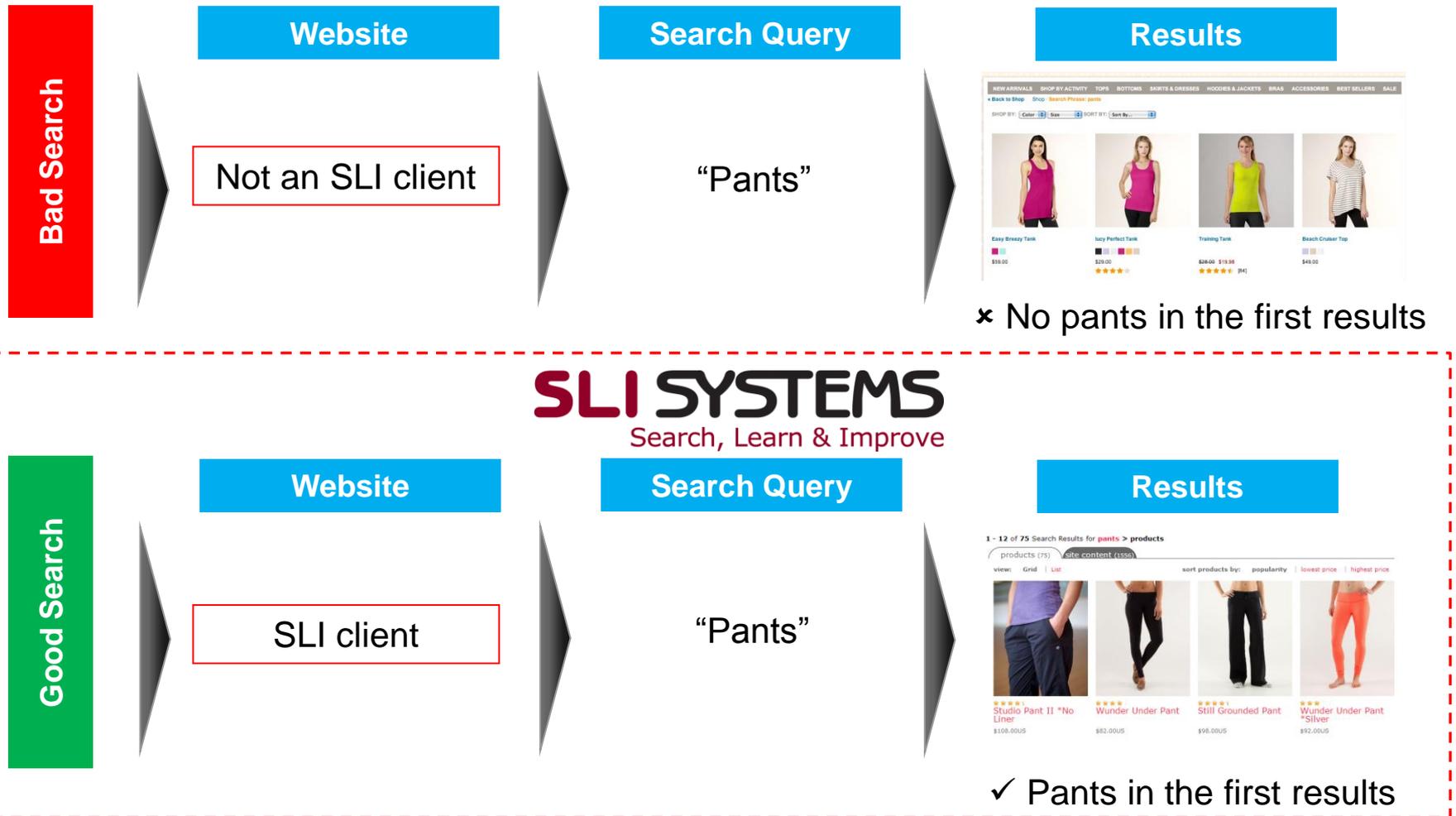
- ARR of \$21.6m
- Total revenue for the 6 months of \$10.6m
- Loss of \$2.3m
- Retention rate of 91%

## 2. Learning Recommendations product released

## 3. One billion queries served in December

## 4. Opened Japanese office

# SLI Fixes Bad Search: Improves E-retailers' Revenue

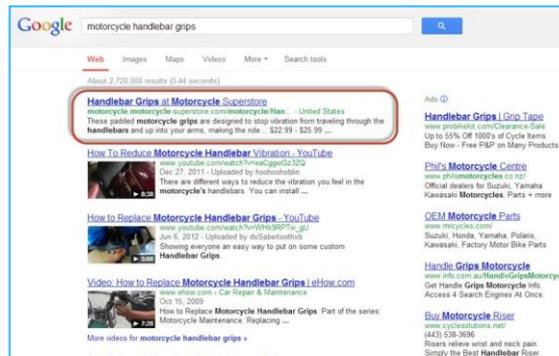


# Product Range

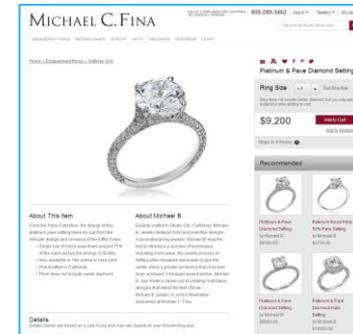
## Learning Search



## Site Champion



## Learning Recommendations



## Learning Navigation



## SLI Mobile



## Rich Auto Complete



# Testimonials

The logo for Boden is written in a black, cursive, handwritten-style font.

- ↑ **Conversion rates 177%**
- ↑ **Revenue per visit 215%**

*For shoppers using SLI services compared to the average shopper on site.*

*“When site search works well, people who use it buy more, they stay on our sites longer, and they convert at a higher rate. Site search is as important to us as layout and design and shopping carts when it comes to crafting the online experience.”*

The Lakeshore logo features the word "Lakeshore" in white, bold, sans-serif font on a red rectangular background. Below it, the tagline "products designed with learning in mind™" is written in a smaller, white, sans-serif font.

- ↑ **Web site sales 25%**
- ↑ **Transactions 16%**

*As announced at Shop.org Annual Summit*

The Suttons Seeds logo consists of the word "SUTTONS" in a large, blue, serif font, with "SEEDS" in a smaller, blue, serif font below it. A blue arc is positioned between the two words. Below the logo, the text "Est. 1806" is written in a small, blue, sans-serif font.

- ↑ **112% conversion rate**
- ↑ **24% average order value**

*For shoppers using SLI services compared to the average shopper on site.*

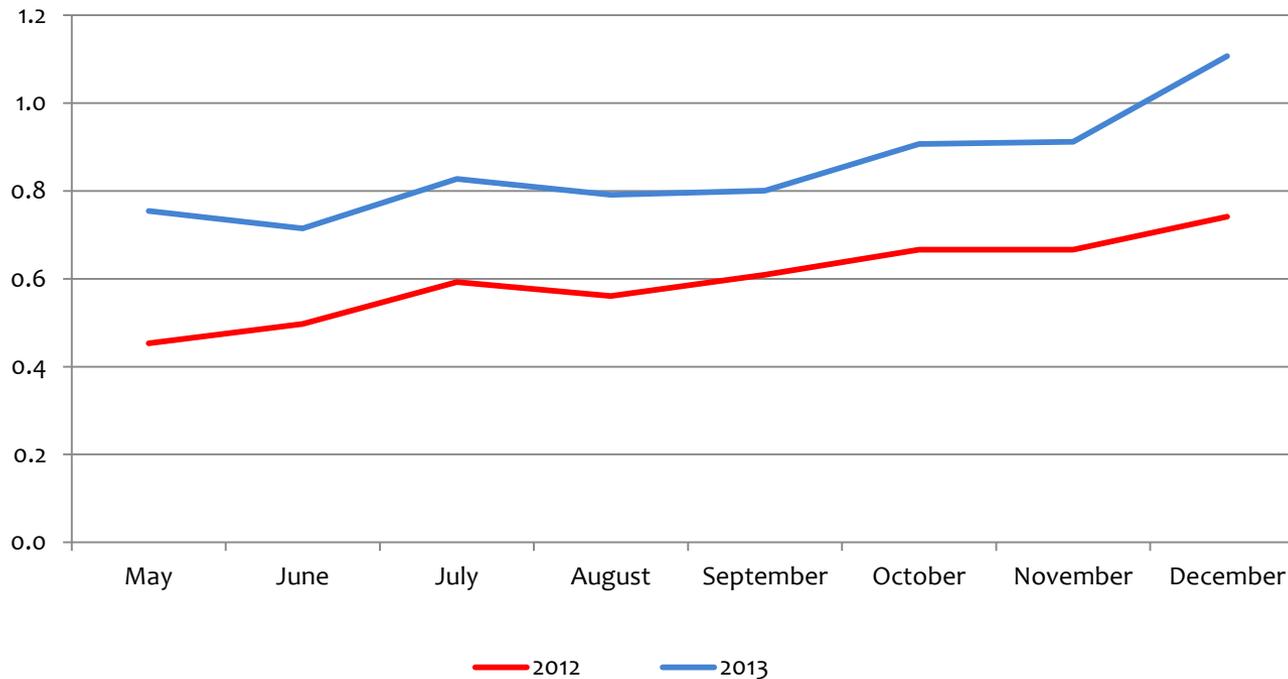
*“SLI’s Learning Search allows us to identify and respond to patterns in search, which provides extra insight that we would otherwise have missed.”*

# SLI's Business Model

- ✓ **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 91% by value) - customer care model creates strong advocates**
- ✓ **Compelling long term value potential created with each new customer through high gross margin (75%), coupled with high retention**

# One billion queries in December

Billions of queries/month



# New Marketing Leadership



**Tim Callan: Chief Marketing Officer**



**Andy Lark: Independent director**

# Financial Overview

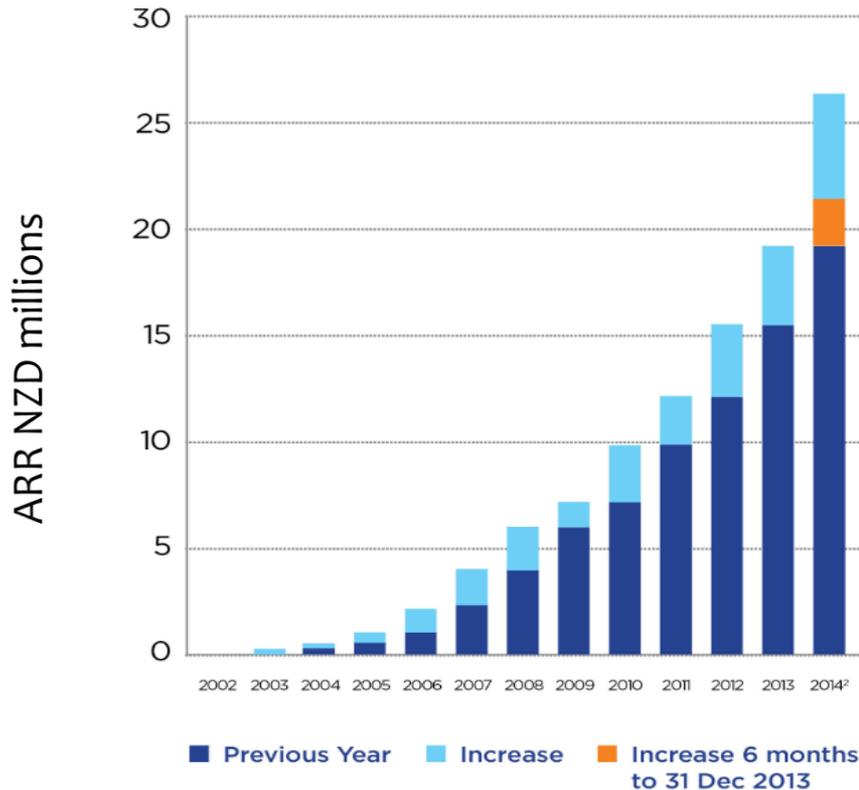
# Share Price



Source: NZX.com

# Annualised Recurring Revenue (ARR<sup>1</sup>)

## Historical and Prospective ARR at June Each Year



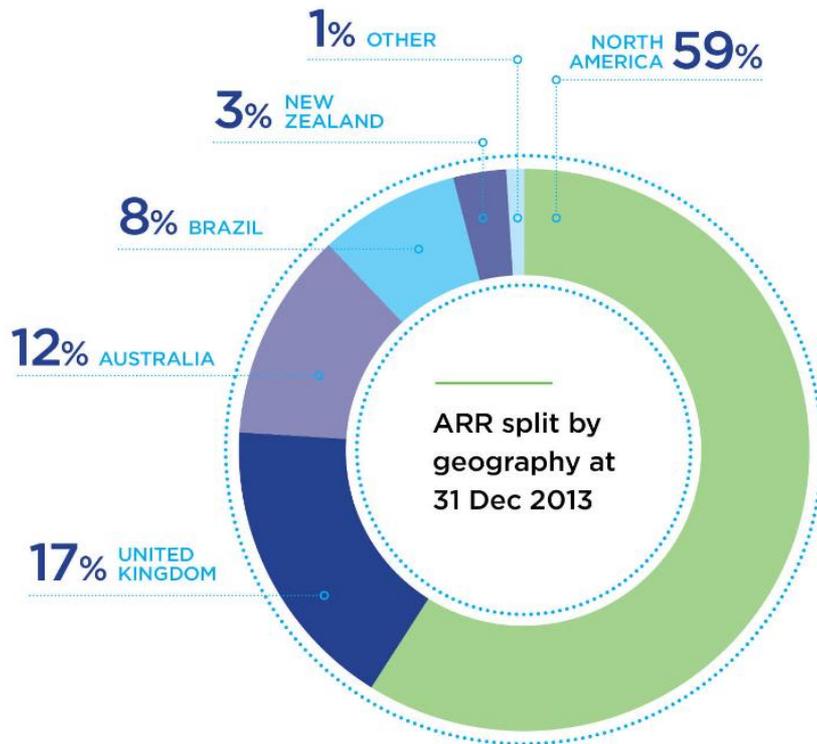
- Achieved \$21.6 m as at 31 December 2013 (26% growth over last 12 months)
- Continuing to forecast ARR at 30 June 2014 in line with prospectus forecast
- Will see the increase in ARR growth rate in 2<sup>nd</sup> half as a result of capital from listing
- Constant PFI exchange rates used.

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.

2: The ARR for 2014 is based on the actual position as at December 2013 and a forecast to June 2014.

# ARR Split at December 2013

## ARR by geography



## ARR growth by geography

Region	Percentage increase in ARR in last 12 months
North America	19%
United Kingdom	28%
Asia / Pacific	29%
Brazil	95%
<b>Total</b>	<b>26%</b>

# Financial Performance

NZ\$'000	6 months to Dec 13	Full Year FY 14 per PFI
Operating Revenue	10,596	22,200
Other Income	404	500
Delivery Costs	2,702	5,745
Growth Costs	6,267	15,876
Other Costs	4,310	8,161
Total Costs	13,279	29,782
Loss before tax	2,279	7,082
Gross Margin	75%	74%

# Financial Performance

- **Operating revenue on target**
- **Margin on target**
- **Growth costs less than forecast**
  - Lower headcount
  - 18 new staff hired in last 8 weeks
- **Forecast full year loss unchanged**

# Our plans

# Growth Strategies

## 1. Growth in existing markets

- We have expanded our sales staff in the US, UK, Australia and Brazil to a total of 35

## 2. Growth from existing customers

- Have built out our Account Management team to focus on upselling.

## 3. Opportunities in new markets

- Established Japan office.

## 4. Growth from new products

- Released Learning Recommendations

# Learning Recommendations

- SLI Systems Learning Recommendations is a service that delivers relevant product suggestions in a variety of e-commerce contexts.

**RENEWLIFE**  
The Digestive Care Experts

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USE CODE: PRESIDEN

Home / First Cleanse

### First Cleanse

You may also like:

- CleanseSMART**  
regular \$66.99  
**\$29.69**
- Total Body Rapid Cleanse**  
regular \$69.99  
**\$26.99**
- Smokers' Cleanse**  
regular \$69.99  
**\$35.99**

Are You a First-Time Cleanser? Do You Have at Least 2-3 Healthy Bow Movements Daily?

- 11-day gentle total body cleanse
- Supports the 7 channels of elimination
- With Probiotics and healthy digestions
- Carbs cleanse formula for first-time cleansers or those with sensitive digestive tracts
- Organic herbal supplement

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Home » Engagement Rings » Settings Only

### Platinum Pave Halo Emerald Setting

Classic Collection by Christopher Designs

Ring Size: 4.5

\$4,820

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First Street between Park & Madison  
(800) 289-3462 or Meet Our Associates

#### Recommended

- Platinum Diamond Halo Emerald Setting by Christopher Designs \$4700.00
- Platinum Classic Pave Halo Setting by Christopher Designs \$6220.00
- Platinum Pave Halo Cushion Setting by Christopher Designs \$3700.00
- Platinum Pave Halo Setting by Christopher Designs \$2940.00

# Learning Recommendations

Call toll free! 1-800-720-0572 [About Us](#) [Customer Service](#) [Rewards](#) [My Account](#)  [Cart \(1\)](#)

 **FREE 3 DAY SHIPPING** ON US ORDERS \$60 & UP **FREE & EASY 365 DAY RETURNS** ON ALL SHOES FOR FANATICS MEMBERS **LOW PRICE GUARANTEE**  **TESTED DAILY 17-FEB**

site search examples:   [Popular Searches](#)

[WOMEN](#) [MEN](#) [BRANDS](#) [SALE](#) [WIDE AND NARROW](#) [BAGS](#) [SOCKS](#) [INSOLES](#) [SHOE CARE](#) [BODY HEALTH](#) [LOCATIONS](#)

Helsinki Bicycle Toe Slip-On has been added to your cart.

## Your Shopping Cart

[PROCEED TO CHECKOUT](#)

Product	Options	Price	Quantity	Total	
 <a href="#">Men's Ecco Helsinki Bicycle Toe Slip-On</a> Item #: 110894 <i>Usually ships within 1 business day.</i>	Black Leather - EU Size: 44 - US Size: 10 / 10.5 <a href="#">Edit</a>	\$139.95	1 <input type="button" value="v"/> <a href="#">Remove</a>	\$139.95	
<b>Recommendations selected for you based on your shopping cart...</b>				<b>Cart Total</b>	\$139.95
			<input type="text" value="3 Day - \$0.00"/> <input type="button" value="v"/>	\$0.00	
<a href="#">Save for Later.</a>				<b>Sales Tax</b>	NO TAX (except CA)
<a href="#">Not ready to check out?</a>				<b>Total</b>	\$139.95

[CONTINUE SHOPPING](#)

[INTERNATIONAL CHECKOUT](#)



[PROCEED TO CHECKOUT](#)

# Learning Recommendations

## Customer benefits

- Expect 5-15% increase in revenue per visitor
- Easy to implement
- Reliable infrastructure
- Analytics built into our console
- Knowledgeable customer success managers

## Why this product?

- Our customers are asking for it
- We have the data
- We have the relationships with customers
- Low sales and delivery cost

## Launched last week

- Active customer promotion underway

# Appendix

# Balance Sheet and Cashflow

## Balance Sheet

NZ\$'000	Actual Dec 2013
Cash and cash equivalent	13,621
Property, plant and equipment	1,537
Other assets	4,781
<b>Total assets</b>	<b>19,939</b>
<b>Total equity</b>	<b>14,470</b>
<b>Total liabilities</b>	<b>5,469</b>

## Cashflow

NZ\$'000	Actual Dec 2013
Receipts from customers	10,765
Receipts from other income	528
Payments to suppliers and employees	(13,334)
Net proceeds from capital investment	709
Other movements in cash	(429)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,761)</b>
<b>Opening cash balance</b>	<b>15,382</b>
<b>Closing cash balance</b>	<b>13,621</b>