

SLI Systems posts maiden first half profit

Highlights:

- Maiden first half profit before tax of \$1.2m, up \$2.4m¹ as retention rates improve and cost reductions amid a pivot of SLI's product strategy
- Annualised Recurring Revenue (ARR)² rises to \$32.8m, up 4.1% in constant currency terms³
- Net Revenue Retention (NRR)⁴ increases to 96.6% from 82.7%
- Total operating revenue increases to \$16.5m, up 6.9%
- Cash inflow of \$793,000, a turnaround of \$1.5m compared to the 6 months to 31 December 2016
- Cash reserves stand at \$6.4m at 31 December 2017

CHRISTCHURCH, New Zealand – February 23, 2018, SLI Systems (SLI.NZ) today reports a maiden first half profit as it benefits from customer retention improvements and cost control.

ARR at December 2017 is \$32.8 million, up 4.1% on a constant currency basis on the same time a year ago. Operating revenue for the six months to 31 December 2017 increased 6.9% to \$16.5 million from \$15.5 million.

The profit before tax of \$1.2 million for the six-month period is a first for the company since listing and represents a turnaround of \$2.4 million on the \$1.3 million loss in the first half of the 2017 financial year. Meanwhile, the company achieved a positive cash inflow in the six-month period of \$793,000, lifting cash reserves to \$6.4 million at the end of December 2017.

Chairman Greg Cross said: "We are navigating our transition to a new self-service product strategy, which is seeing the unbundling of our cloud-based software-as-a-service (SaaS) solutions from the professional services we provide our customers.

"Over the last six months we have invested to ensure our customers continue to extract the maximum value from our existing products. Meanwhile, we have decreased spending in marketing and sales to a level that is sustainable to align with the success we believe we can achieve. We have reallocated resources to the development of new products that we believe will accelerate and drive growth for the long term.

"The pleasing growth in ARR, operating revenue and positive cash flow has bolstered our confidence in our technology, our team and our ability to operate and execute our new business strategy without the need for additional capital."

Mr Cross said the global market for SLI's products had never been stronger.

¹ All comparative results are compared to 31 December 2016 unless otherwise stated.

² 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.

³ On a reported currency basis ARR increased 5.3% compared to 31 December 2016.

⁴ Net Revenue Retention (NRR) rate is the current ARR value in percentage terms of the customers SLI had 12 months ago. Our previous measure of customer retention "Customer Retention by Value" was 86% at 31 December 2017 up from 84% at 31 December 2016. The key difference between the two methods is that the NRR includes customer growth during the period.

“e-Commerce continues to grow, driving the adoption of digital marketing and online and mobile search. Meanwhile, the global economy, for the most part, remains strong and this is particularly the case in the strategically important US market, which is benefiting from recent tax reforms.

“These conditions, coupled with the implementation of our new strategy, give us confidence that SLI can return to sustainable growth and achieve the strong potential we see for our technology globally,” Mr Cross said.

Chief Executive Chris Brennan said SLI Systems had made good progress over the last six months. It was transforming the company’s proprietary closed systems into open systems that will let customers choose how they implement and manage SLI’s solutions.

“SLI offers the leading site search solution globally and this is affirmed by the high rate of Net Revenue Retention and our strong showing in customer satisfaction surveys. Our product leadership is a powerful driver of value in the business. Indeed, on average SLI’s customers’ ARR grows by 67% within the first four years of signing.

“The new self-service strategy is designed to play to these strengths while delivering a more relevant solution to the market’s needs. We believe it will deliver an acceleration in customer acquisition and improve customer retention.

“It is an exciting time for the company. The scope of work required to re-invent ourselves cannot be underestimated and I am pleased with the progress we have made.

“We remain firmly convinced that this strategy will extend our success as the leader in the SaaS search market, and open a new chapter characterised by high new product growth rates, improved customer retention, and most importantly, sustainable, scalable, profitable growth and increases in shareholder value.”

Contact:

Chris Brennan

CEO, SLI Systems

+64 3 961 3252

Chris.Brennan@sli-systems.com

Richard Inder

The Project

+64 21 645 643

investor.relations@sli-systems.com

About SLI Systems

SLI Systems (SLI.NZ) accelerates e-commerce for the world’s top retailers by converting shoppers into buyers, maximising order values and generating more traffic. The SLI Buyer Engine™ is a cloud-based, artificial-intelligence platform that predicts what shoppers are most likely to buy, shortening the path to purchase through solutions that improve site search, navigation, mobile, merchandising, personalisation, recommendations and SEO. The SLI Commerce Console™ organises key sales insight and tuning capabilities into one easy-to-use control centre. For 16 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 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.