

SLI Systems Operating Revenue Rises 27%; on Track to Breakeven

*Software-as-a-Service e-commerce accelerator delivers operating revenue in line with forecasts.
Annualised Recurring Revenue now at \$34.6 million.*

CHRISTCHURCH, New Zealand – August 25, 2015 – SLI Systems (SLI.NZ) today reports strong year-on-year revenue growth in line with guidance and good progress reforming its sales teams to drive long-term performance. It also confirms it continues to be on track to cash flow breakeven in the near term.

Operating revenue for the year to 30 June 2015 increased 27% to \$28.1 million, in line with the \$28 million guidance given in April. Annualised Recurring Revenue¹ (ARR) at year end grew 39% on the prior year to \$34.6 million.

This strong growth was assisted by the weakening of the New Zealand dollar against the US dollar and the UK pound – currencies in which SLI respectively generates 56% and 21% of its ARR. On a constant-currency basis, ARR grew 16% year on year, with growth impacted by the disruption caused by the change of sales leadership and weaker performance in the Brazilian business.

SLI's loss before tax for the year was \$7.2 million. Cash outflow was \$5.8 million for the year and, consistent with previous guidance, is improving, with \$1.8 million outflow occurring in the second half compared to \$4 million in the first half.

At year end, SLI had \$5.6 million of funds on hand, leaving sufficient resources to continue strong growth through to cash flow breakeven.

Highlights:

- Operating revenue grows 27% to \$28.1 million, in line with April guidance
- 39% growth in ARR to \$34.6 million, 16% growth on a constant-currency basis
- \$5.6 million cash reserves, continued progress toward cash flow breakeven
- Q4 2015 new sales reach quarterly record high in early sign of results from sales process improvements
- Retains leadership as most chosen SaaS site search provider to the USA's top 1000 online retailers²

SLI Systems Chairman Greg Cross said: "With our improved sales and marketing capability and our market-leading products, we will focus on continuing to grow revenues in our core markets of the US,

¹ 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 annualized 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.

² Internet Retailer (2015) [Top 500](#) and [Second 500](#)

the UK, Australia, and New Zealand. We have seen a renewed focus on e-commerce applications from Silicon Valley and our market leading product positions us well in this environment.”

Financial performance

NZD 000	12 months to 30 Jun 15	12 months to 30 Jun 14
ARR (as at)	34,618	24,949
Operating revenue	28,126	22,117
Costs	35,997	28,781
Loss Before Tax	(7,231)	(5,913)
Number of Customers	586	511
Retention rate by value	87%	90%

FY15 Commentary

Growth in ARR for the year slowed, largely reflecting SLI’s transition to a new sales leadership team with the most significant effect of this transition occurring in the US market.

SLI has instituted a program of sales process improvements designed to lift the company’s long-term performance. As an early sign of the program’s positive impact, SLI achieved its record highest ever sales for new and add-on business in the fourth quarter of the 2015 financial year.

Our Chief Revenue Officer Neil Thomas, who supported and helped implement some of these changes has recently chosen to leave SLI to pursue a new business venture with his former CEO. While we are disappointed, we will continue to benefit from these process improvements and expect to maintain the momentum that delivered the fourth quarter record. We have commenced a recruitment process and will update the market once an appointment has been made.

This stronger sales performance was offset by a lower than average retention rate, due primarily to customers struggling financially, retailers changing e-commerce platforms, and the economic weakness in Brazil.

SLI meanwhile has focused on productivity across the company to manage cash flow and ensure it can achieve breakeven without requiring additional investment. As a result, in the past six months the company’s staff numbers have reduced slightly from 181 to 175 while maintaining service quality.

In the year to 30 June 2015, SLI served more than 15 billion search queries, a 41% lift over the previous year, and the company now powers the search on more than 1000 e-commerce sites across its 586 customers.

New customers include US apparel giant Dressbarn (which boasts more than 800 large format stores across the nation), leading UK retailer Jigsaw, popular worldwide fashion brand Paul Smith, and US\$46 billion consumer electronics manufacturer Lenovo. Lenovo eCommerce Merchandising Strategy manager Cynthia Hever commented, “Since switching to SLI Systems, our conversion has increased with relevant search results.” Here in New Zealand the company added major retailers including Harvey Norman, Briscoes, Country Road, and Kathmandu.

SLI is a market leader powering the search for 87 of the top 1000 US online retailers, retaining its rank as the leading Software-as-a-Service (SaaS) site search provider to these companies². Site search continues to be one of the top three investment initiatives for e-commerce companies.³

SLI is investing to maintain superiority in servicing the rapidly growing e-commerce space. Innovations in the past year include performance improvements for faster search results, additional language support, mobile enhancements, Landing Page Creator, improved e-commerce platform support and improved omnichannel capabilities.

This best-of-breed product approach has enabled SLI to garner ten prestigious industry awards in the 2015 financial year.

CEO Shaun Ryan added: "SLI has \$35 million of high margin recurring revenue, which gives us a strong base as we seek to reach cash flow breakeven. E-commerce is growing in all the markets in which we operate, and these markets show strong demand for our products. I continue to be excited by the opportunities we have ahead of us."

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About SLI Systems

SLI Systems (SLI.NZ) enables the world's leading e-commerce retailers to accelerate sales by connecting shoppers with the products they're most likely to buy. With offerings that include site search, navigation, merchandising, mobile, product recommendations and user-generated SEO, SLI is the most chosen cloud-based site search provider to US Internet Retailer Top 1,000 retailers. The company's patented technology continuously learns from the actions 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 operates on five continents. For more information, visit www.sli-systems.com.

³ [Retail Systems Research \(2014\) 'eCommerce In Context: Coping With Maturity'](#)