

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

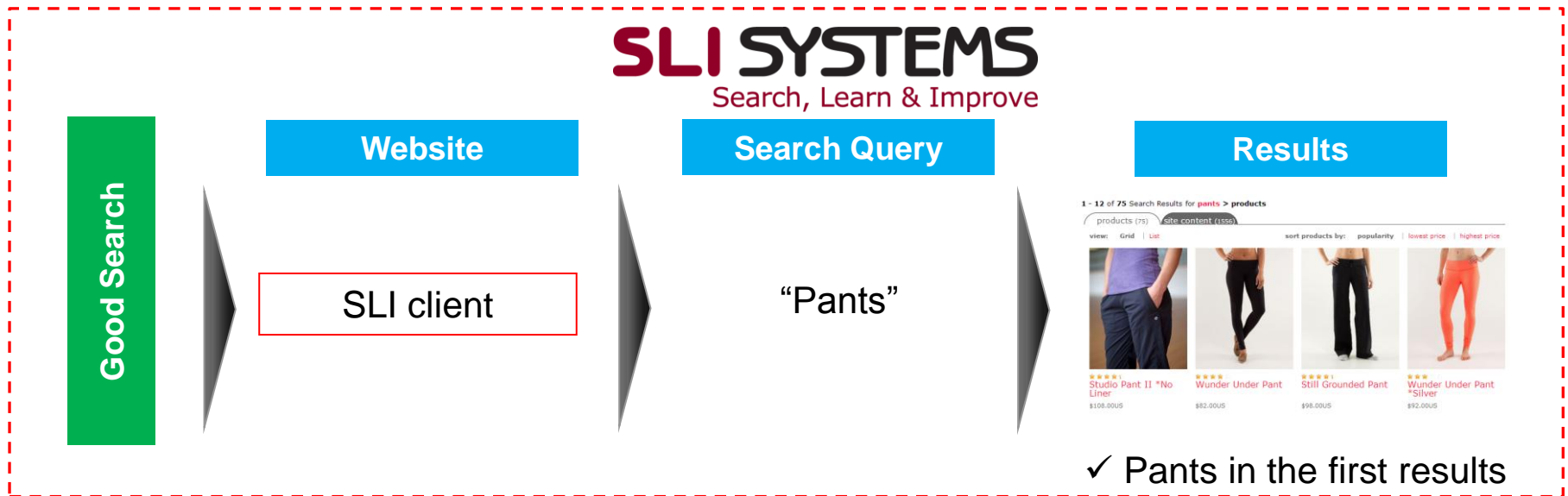
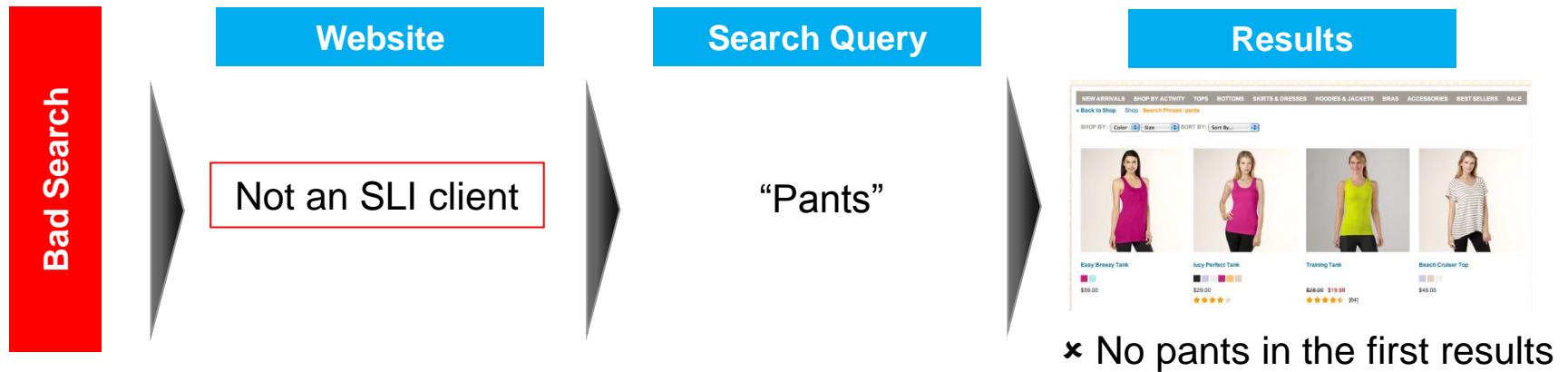
- ARR of \$21.6m
- Total revenue for the 6 months of \$10.6m
- Loss of \$2.3m
- Retention rate of 91%

2. Learning Recommendations product released

3. One billion queries served in December

4. Opened Japanese office

SLI Fixes Bad Search: Improves E-retailers' Revenue

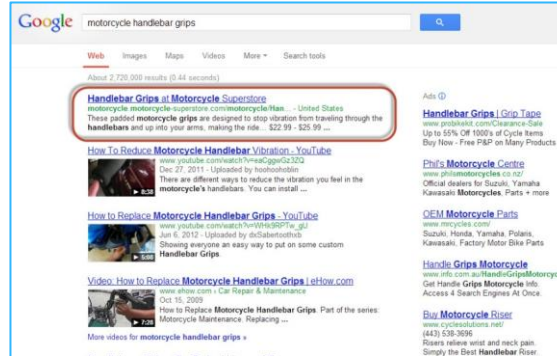


Product Range

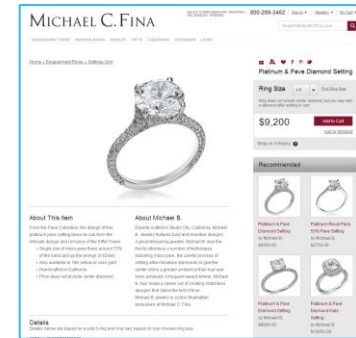
Learning Search



Site Champion



Learning Recommendations



Learning Navigation



SLI Mobile



Rich Auto Complete



Testimonials



↑ **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."



↑ **Web site sales 25%**

↑ **Transactions 16%**

As announced at Shop.org Annual Summit



↑ **112% conversion rate**

↑ **24% average order value**

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

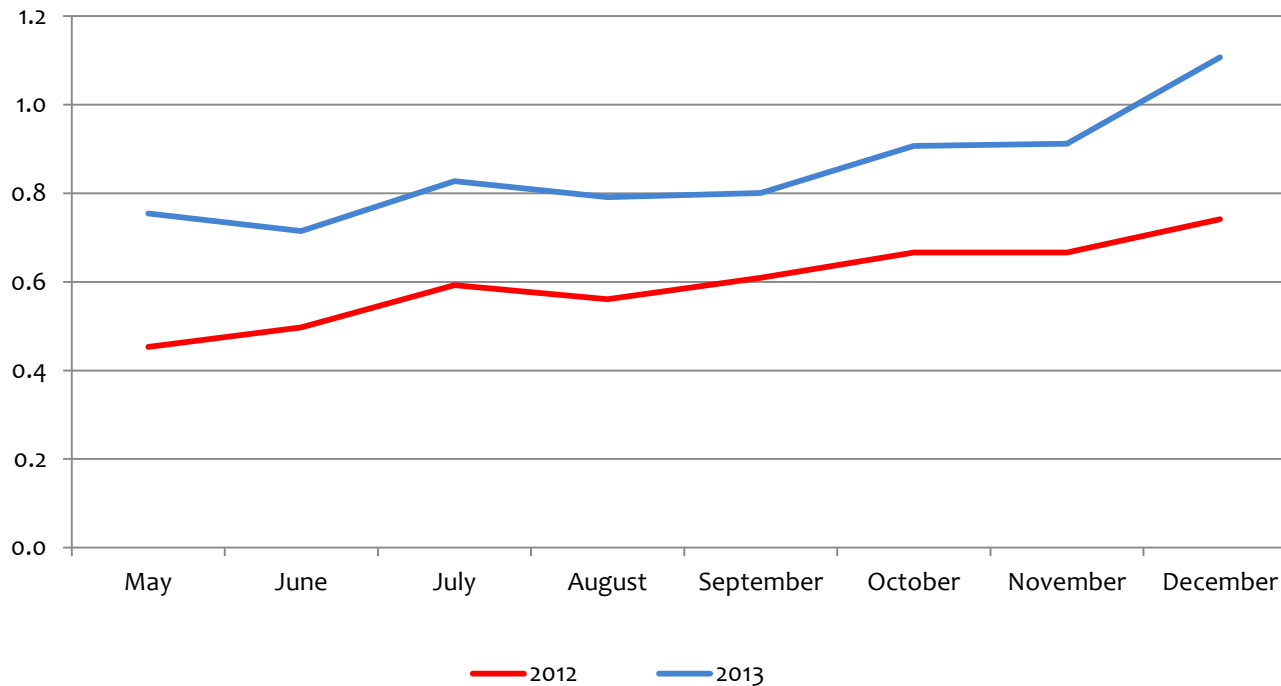
"SLI's Learning Search allows us to identify and respond to patterns in search, which provides extra insight that we would otherwise have missed."

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

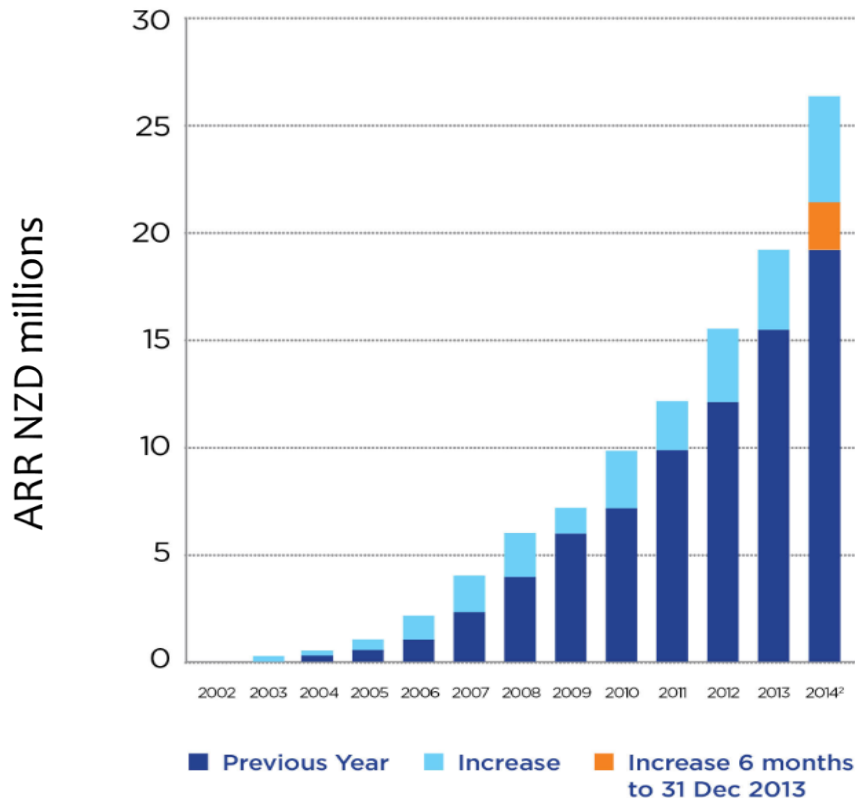
Share Price



Source: NZX.com

Annualised Recurring Revenue (ARR¹)

Historical and Prospective ARR at June Each Year



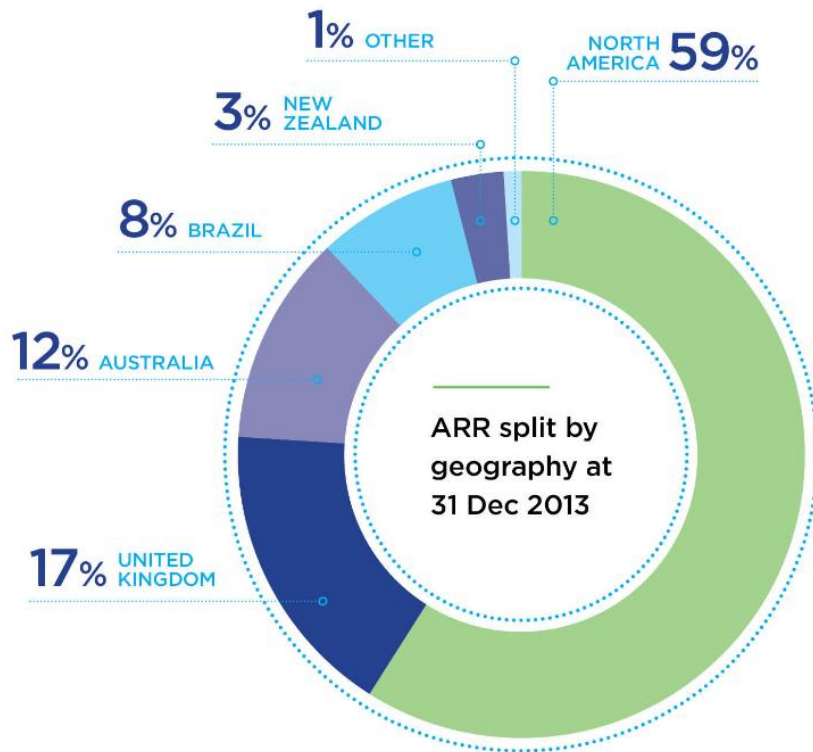
- Achieved \$21.6 m as at 31 December 2013 (26% growth over last 12 months)
- Continuing to forecast ARR at 30 June 2014 in line with prospectus forecast
- Will see the increase in ARR growth rate in 2nd half as a result of capital from listing
- Constant PFI exchange rates used.

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%
Total	26%

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

SLI SYSTEMS
Search, Learn & Improve

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

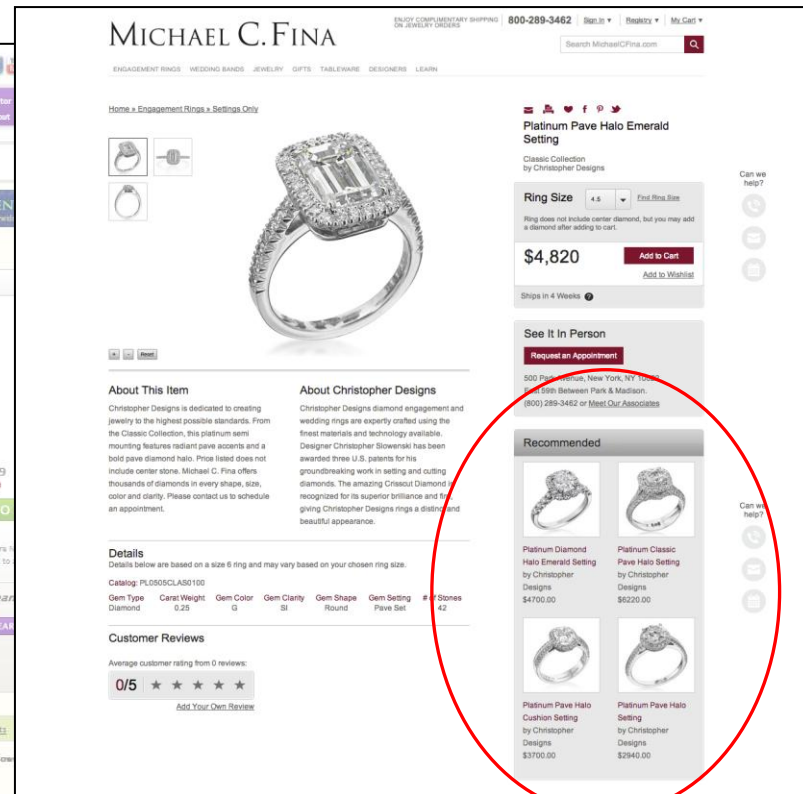
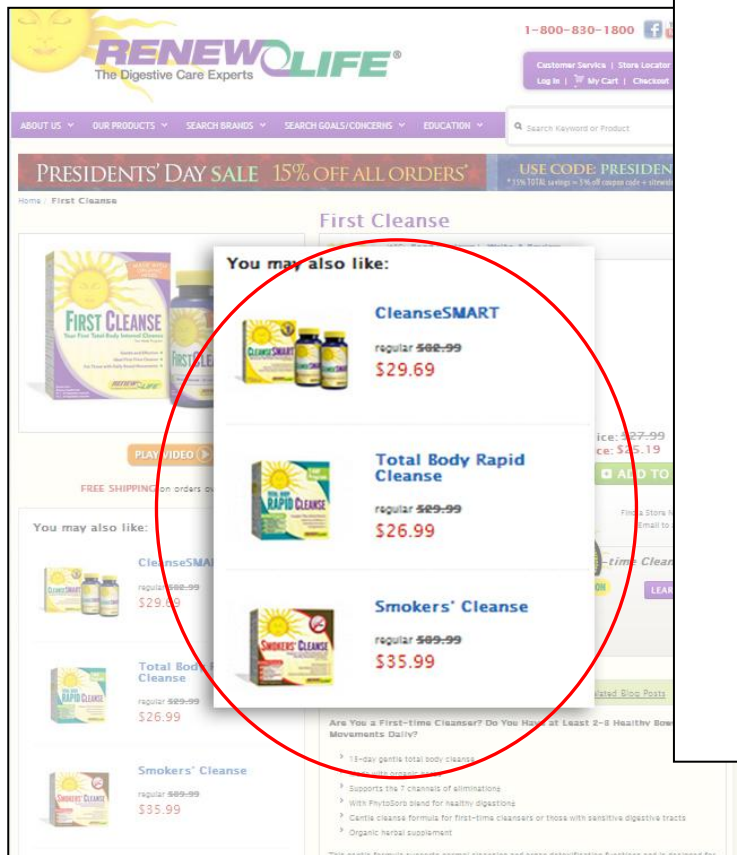
- Established Japan office.

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.



Learning Recommendations

Call toll free! 1-800-720-0572


About Us Customer Service Rewards My Account  Cart (1)

Footwear etc.
walk your world in our shoes

FREE 3 DAY SHIPPING
ON US ORDERS \$60 & UP

FREE & EASY 365 DAY RETURNS
ON ALL SHOES FOR FANATICS MEMBERS

LOW PRICE
GUARANTEE

 **McAfee SECURE**
TESTED DAILY 17-FEB

site search examples: women's shoes, black sandals, size 8






[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
 Men's Ecco Helsinki Bicycle Toe Slip-On Item #: 110894 Usually ships within 1 business day.	Black Leather - EU Size: 44 - US Size: 10 / 10.5 Edit	\$139.95	1 <input type="button" value="v"/> Remove	\$139.95
Recommendations selected for you based on your shopping cart...				
  				
Cart Total				\$139.95
3 Day - \$0.00 <input type="button" value="v"/>				\$0.00
 Shipping Details				
Sales Tax				NO TAX (except CA)
Total				\$139.95

Not ready to check out? [Save for Later.](#)

[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
Total assets	19,939
Total equity	14,470
Total liabilities	5,469

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)
Net increase (decrease) in cash and cash equivalents	(1,761)
Opening cash balance	15,382
Closing cash balance	13,621