SiteMinder

ASX ANNOUNCEMENT

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SiteMinder delivers strong growth and improved unit economics Strengthened path to free cash flow neutral position

SiteMinder Limited (ASX:SDR) ("SiteMinder" or "the Group") has today released its results for the 6 months ended 31 December 2022 (H1FY23). SiteMinder's performance over H1FY23 demonstrated the business' scalability and ability to deliver strong resilient growth.

H1FY23 Performance Highlights
(All growth rates are y/y)

- **Annualised recurring revenue (ARR) increased 30.1%** or 28.3% on a constant currency (cc) and organic basis to $143.5m**.**
- **Total revenue increased 30.4% or 29.6% (cc, organic) to $71.7m**:
  - Subscription revenue grew 13.4% (cc, organic) in H1FY23
  - Transactional revenues grew 85.1% (cc, organic) in H1FY23. The number of transaction products subscribed by customers increased 55% to 16.5k products
  - Momentum was strong across all regions. Revenue grew 26.8% in the Americas, 24.7% in EMEA, and 39.4% (cc) in APAC in H1FY23.
  - The strong growth reflects contributions from the investment in go-to-market capacity, new products, the re-opening of key Asian markets, and the recovery of travel activity globally.
- **Global property count increased 10% to 36.6k** with 14.0% growth in the Americas, 10.3% in EMEA, and 6.5% in APAC. Asia grew in excess of 10%.
- **Monthly average revenue per user (ARPU) grew 20.3% (cc) to $339 in H1FY23**.
- **Underlying gross margins** improved by 97 bps to 82.0% for subscription and by 145 bps to 33.7% for transaction, driven by scale and mix benefits.
- **LTV/CAC increased to 3.6x in H1FY23** vs 3.2x in FY22. CAC improved from $6,386 in FY22 to $5,941 in H1FY23 driven by operating leverage.
- **Underlying free cash outflow was $(20.3)m**, representing 28% of revenue, which is inline with recent financial periods.
- **Available funds of $97.6m** consisting of $41.1m of cash and cash equivalents, $27.1m of funds on deposit, and $29.3m of undrawn debt facilities
- **Underlying net loss was $(24.7)m** due to investments in go-to-market capacity to reaccelerate the business, and investment in product development.
- **Reported net loss was $(25.5)m**, inclusive of costs related to the acquisition of GuestJoy and restructuring.

“SiteMinder’s continued growth in the half is a testament to our award winning and category defining product suite, as we evolve to a Smart Commerce Platform which addresses the pain points of hoteliers. Subscriber and subscription revenue growth accelerated during the half as the ramping of our go-to-market capacity post COVID gained momentum. In addition, our transaction product growth has continued to be a highlight, reflecting the significant opportunity within our customer base. The improvement in our unit economics was also very encouraging.

We are positive on the travel environment particularly with a number of key Asian markets yet to fully resume outbound international travel. We believe it is prudent however to chart a stronger path to a cash flow neutral position and we have embarked on a cost out program.

The significant initiatives that we have launched in the last couple of years and the ongoing recovery of global international travel makes me very optimistic about the continued growth of SiteMinder ” says Sankar Narayan, CEO & Managing Director at SiteMinder.

SiteMinder delivers strong growth with supportive industry backdrop

SiteMinder delivered another strong period of growth with revenue up 29.6% y/y (cc, organic) in H1FY23. The number of subscribers increased 10% y/y or 9% y/y (organic) to 36.6k, and engagement was strong with the uptake of add-on transaction products increasing 55% y/y to 16.5k. 40% of new hotels joining SiteMinder take-up at least one transaction product reflecting the strength of our go-to-market engine and product capabilities.

SiteMinder also delivered a more balanced regional revenue growth profile with APAC reaccelerating to 39.4% y/y (cc). This was driven by the easing of COVID related travel restrictions in a number of key Asian markets. The improved market conditions have seen hoteliers in Asia re-engage with our sales teams to explore solutions that would help them make the most of the recovery in travel activity.

The momentum in travel activity further strengthened following China’s announcement on 26-Dec-2022 that it’ll no longer require in-bound passengers to undergo quarantine. The APAC region saw an immediate impact from the return of Chinese tourism, with hotel bookings in countries such as Thailand improving from 98% of pre-COVID levels to 110% by the end of January. The normalisation of Chinese out-bound tourism will take time, and this will particularly be the case in more distant locations such as those in Europe and the Americas. We believe this paves the way for an extended period of strong travel demand, and SiteMinder is ready to support hoteliers with solutions that optimize their distribution and drive operational efficiencies.

Significant growth opportunities ahead for SiteMinder

While strengthening levels of travel activity is accretive to SiteMinder’s growth, the focus remains on the opportunities afforded by the low levels of technology adoption amongst hoteliers, and our portfolio of industry leading products.

SiteMinder currently supports 36.6k hotel properties out of an opportunity set of more than a million. Of the million, many are yet to adopt any specialised hotel technology solutions despite ROIs which could exceed 60x. Implementation challenges are often the key barrier to adoption, and SiteMinder has worked hard to overcome this with the introduction of self-guided setup. Little Hotelier Basic was SiteMinder’s first product to feature this capability, and the team has been encouraged by the accelerating rate of sign-ups since its broad roll-out in June-2022.

SiteMinder’s open ecosystem also provides hoteliers with the opportunity to supplement their existing technology stack with enhanced capabilities with minimal disruption to their business. Hoteliers are partnering with SiteMinder to access distribution channels unavailable on their existing systems, and are also taking advantage of our industry leading transactional capabilities in payments and meta-marketing (Demand Plus). The growth run-way for SiteMinder's transaction products is long, with SiteMinder Pay capturing only 1% of booking value flowing through our systems, and Demand Plus is at less than 1%.

Strong growth, improving unit economics, and cost-out program strengthens path to free cash flow neutral position

SiteMinder is focused on delivering improving unit economics alongside strong revenue growth and in H1FY23 LTV/CAC improved to 3.6x from 3.2x in FY22. This was driven by a reduction in CAC (-7% vs FY22) and continued LTV expansion (+4% vs FY22). The decline in CAC marks a break in the upward trend seen since 2019 as the maturation of go-to-market investments alongside improving market conditions has helped re-accelerate subscriber growth.

SiteMinder expects to continue lowering CAC in future periods, which alongside continued LTV expansion positions the business to return LTV/CAC back to pre-COVID levels (FY19: 4.7x) over time.

Even with a healthy balance sheet, improving unit economics, and a robust growth outlook, it is appropriate in the current capital environment to target a stronger path to a free cash flow neutral position. On 31-Jan, SiteMinder announced and embarked on a cost-out program. SiteMinder is a growth oriented business with market leadership and a large multilingual global opportunity. The proposed pathway will ensure that SiteMinder has the ability to successfully deliver on its longer term growth objectives

SiteMinder reiterates growth and free cash flow guidance

SiteMinder continues to target pre-COVID-19 revenue growth rates (31% from FY17-FY19) in the future but realisation of this target will depend on many factors outside of the Company's control, including the continued abatement of COVID-19 related influences on the accommodation and travel industry.

SiteMinder expects to be free cash flow neutral by Q4FY24 on a quarterly basis through continued revenue growth and cost initiatives. This plan is subject to the continued recovery of travel and other factors outside SiteMinder's control.

This ASX announcement was authorised by SiteMinder's Board of Directors.

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About SiteMinder

SiteMinder Limited (ASX:SDR) is the world's leading open hotel commerce platform, empowering hotels and accommodation providers to sell, market, manage and grow their business. SiteMinder's innovative online platform offers hotels and accommodation providers a comprehensive range of products and solutions to manage and streamline the distribution of their rooms across a wide selection of direct and indirect channels, take bookings from guests and communicate with guests. The global company, headquartered in Sydney with offices in Bangkok, Berlin, Dallas, Galway, London and Manila, generates more than 100 million reservations worth US$40 billion in revenue for hotels each year. For more information, visit siteminder.com.

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Definitions

ARR is the prior month's recurring subscription revenue multiplied by 12 and the prior quarter's transaction revenue from subscriber customers (assuming any promotions have ended) multiplied by four. ARR provides a 12-month calculation of revenue at a point in time, assuming other factors such as subscriber numbers, transaction volumes, pricing and foreign exchange remain unchanged. Readers should note that ARR does not represent the Group's actual results, is not a financial forecast and should not be used in isolation as a forward-looking indicator of revenue.

ARPU is calculated by using monthly recurring revenue and dividing it by the number of properties for each respective month. The monthly ARPU is presented as the average of the last 12 months.

LTV/CAC is the ratio between Lifetime Value (LTV) and Cost of Acquiring Customer (CAC).

LTV is calculated by taking the monthly average ARPU over the last 12 months, multiplied by the gross margin percentage, divided by Monthly Revenue Churn.

CAC is calculated by the total sales, marketing and onboarding expenses over a period, less set-up fees charged in the period, divided by the number of new billed properties in the period. Figures are on a rolling average, depending on the period covered i.e. six months for half-year or 12 months for full-year.

Underlying Free Cash Flow is the sum of underlying operating cash flow and underlying investment cash flows.