

NZX IPO MASTERCLASS

The SLI Listing Story



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Presentation team

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Agenda

- NZX introduction
- Why SLI chose to IPO?
- The IPO process
- SLI offer summary
- Life post-listing
- Questions?

Why SLI chose to IPO?



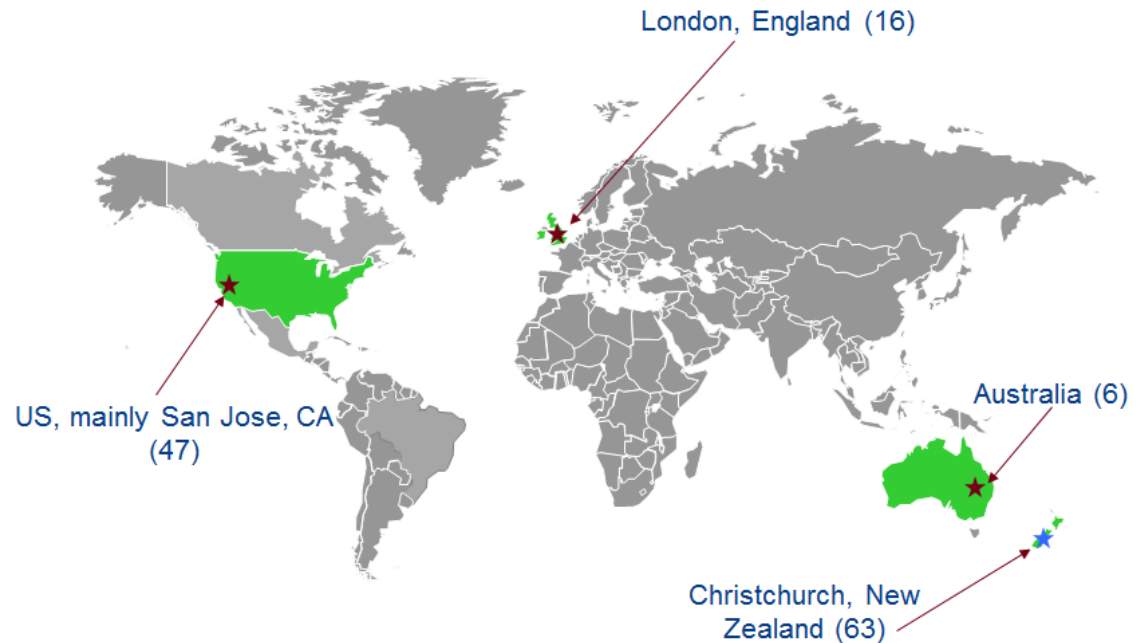


Introducing SLI

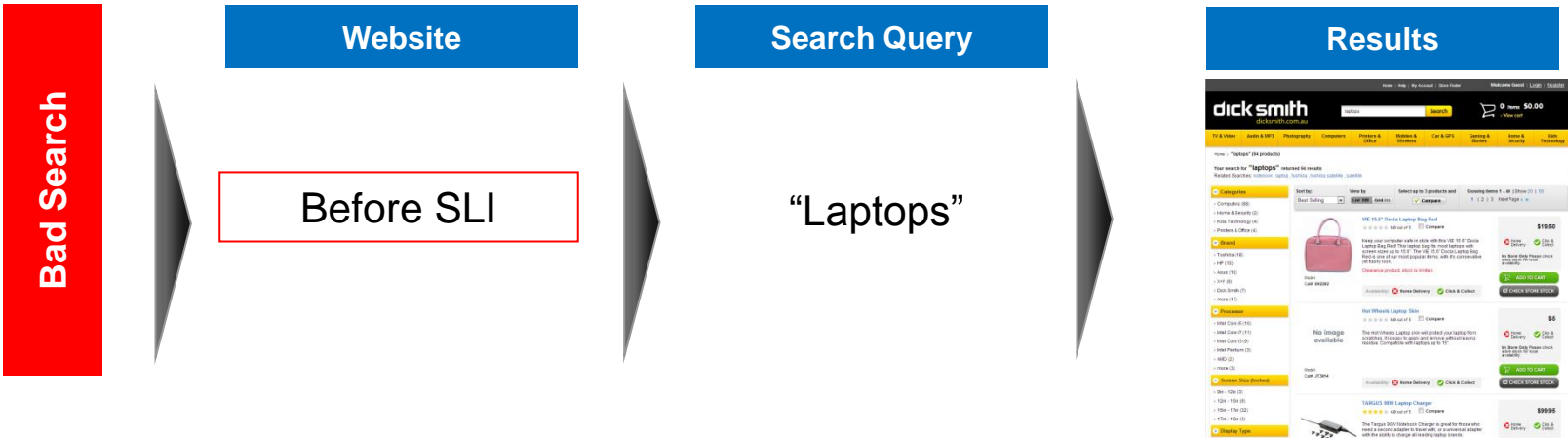
At a glance

- Started in 2001
- IPO May 31 2013
- Headquartered in Christchurch
- Site search and related services
- #1 SaaS Site Search provider to the IR 500
- Serving more than 600 sites globally and over half a billion pages per month (1 billion in December 2013)

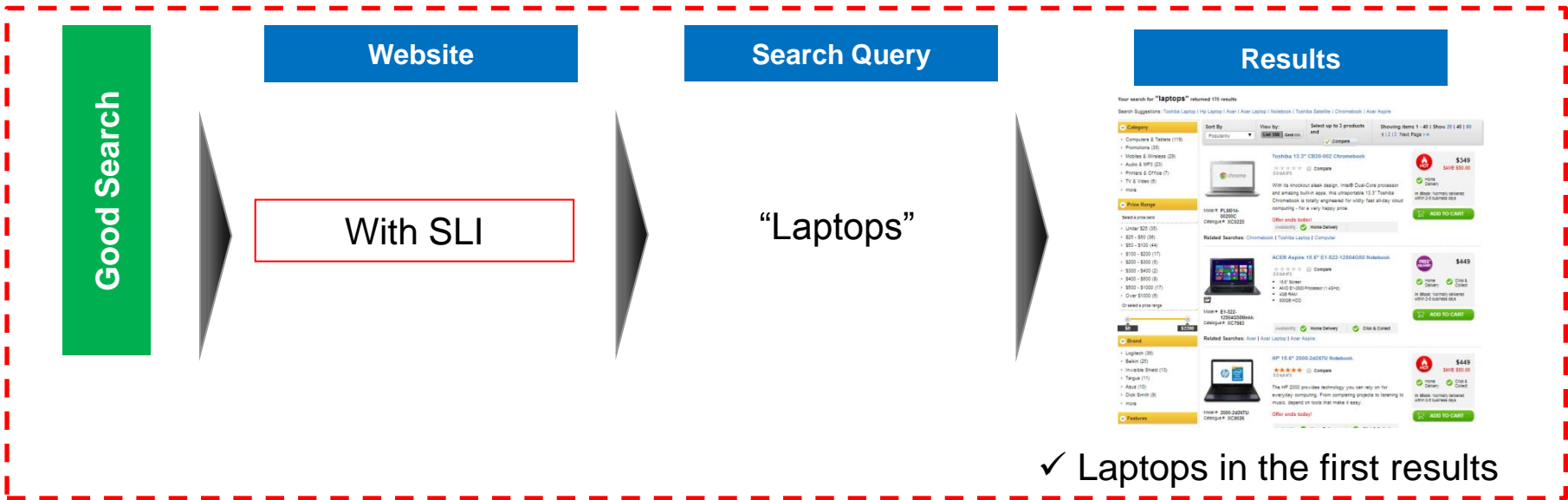
NZ company with established global presence



SLI fixes bad search: improves e-retailers revenue



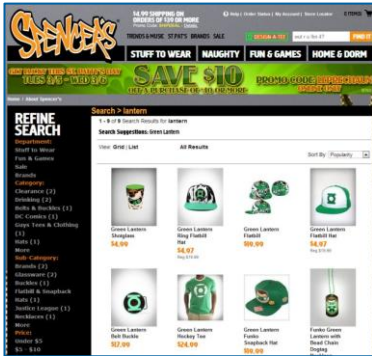
× No Laptops in the first results



✓ Laptops in the first results

SLI's product range

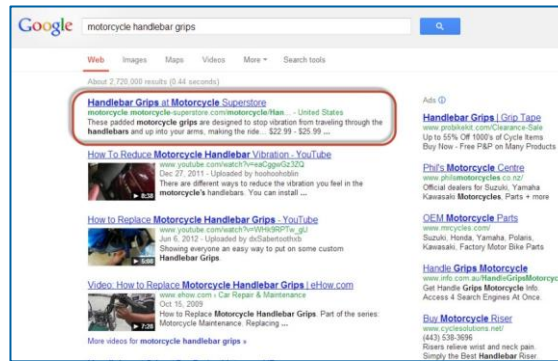
Learning Search



Learning Navigation



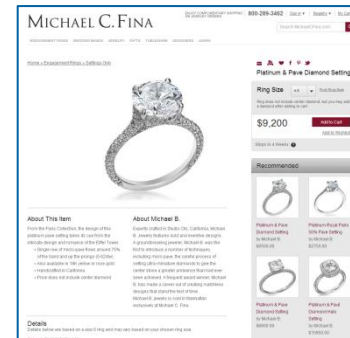
Site Champion



SLI Mobile



Learning Recommendations



Rich Auto Complete





Customer examples

Harrods

TRUE RELIGION
BRAND JEANS®

warehouse
stationery

for all **7** mankind



MIGHTY HELPFUL™
MITRE 10



SurfStitch

consumer.
Making decisions easy



next



Boden



SLI's business model

- Subscription-based 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 ecommerce 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



SLI's rationale for listing

- Company had real need for capital to accelerate its growth strategy
- IPO provided access to capital at good valuation, better terms than elsewhere
- Ability to freely trade shares
- Facilitates easier access to capital in the future – important for growth companies
- Operating as a public company heightens awareness and credibility – trusted partner
- Considered selling the company but listing gave individual shareholders a choice

The IPO Process





Getting yourself ready for an IPO – SLI's learnings

- Early preparation is key
- Is your management team fully committed to the process?
 - It takes up a lot of time, particularly for CEO/CFO making it difficult to do your 'day job'
- Start talking to advisors and market participants early on
- Is your Board and Corporate Structure appropriate for a listed company?
 - Identify necessary skill set for Board and seek to make changes early on
- Get finance team established and start working on your financial model early
- Think about how to raise your profile - Sam Morgan investment helped us. Appoint a PR adviser
- Really understand why you're doing this - is it to grow the company? give your shareholders liquidity?

Phases of an IPO ...

... early preparation is critical to a successful IPO



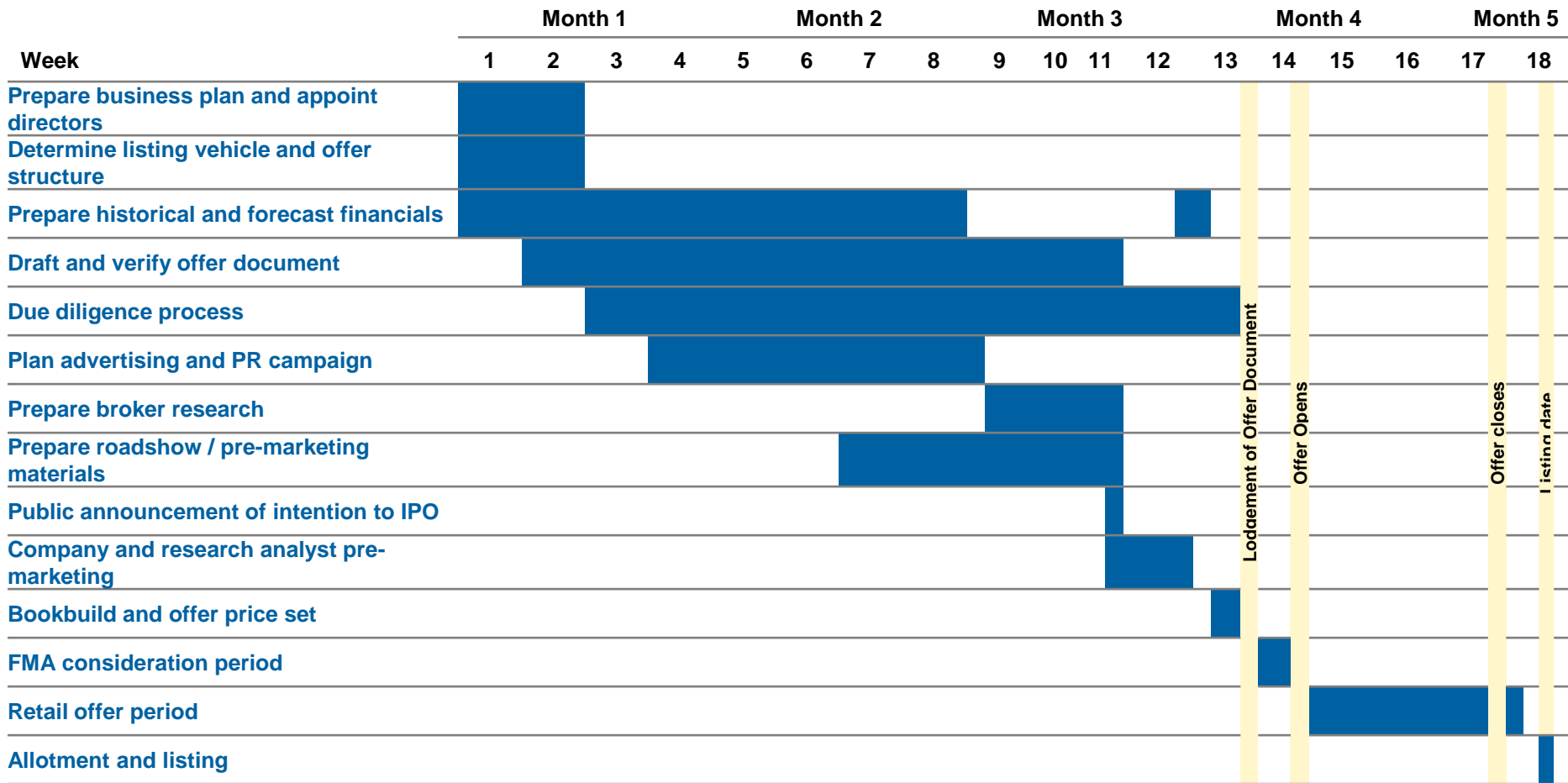
Key tasks include:

- Define the equity story and strategy
- Targeted corporate profile raising
- Ensure Board composition and management structure is appropriate for a listed company
- Agree IPO timetable
- Determine target capital structure on listing and appropriate size of primary raising (new equity)
- Offer Document preparation
- Preparation of financial forecasts
- Due diligence process
- Structuring and valuation
- Initial investor soundings
- Preparation of research analyst research
- NZX and FMA review/pre-vetting of prospectus
- Pre-marketing to institutions, NZX Firms
- Register prospectus and investment statement
- Finalise IPO pricing and offer allocations based on demand
- Conduct roadshow presentations and offer advertising (if any)
- Offer period
- Listing on NZSX
- Proactive engagement with investment community
- Delivering on IPO prospectus forecasts and growth beyond
- Implement an investor relations programme
- Comply with continuous disclosure obligations



IPO timetable

An IPO takes approximately five months to complete



Preparation: defining the investment case

- Building a clearly articulated, compelling equity story and strategy is essential to gain credibility with investors
- Many companies believe they offer a ‘unique’ proposition, however investors will still typically look to determine a peer set from which they will make comparisons
- The sooner a company can define its equity story and is seen to be executing on its strategy the more credible it will be

- 1 What is the “elevator pitch” to explain your business and strategy?
- 2 What is the market opportunity? (i.e. addressable market - size, growth and competitive landscape)
- 3 What are your sustainable competitive advantages and key differentiators from peers?
- 4 Where will/can the Company be in five years time – the vision?

Key Offer Considerations

Rationale for IPO

- Raising growth capital, retiring debt or a liquidity event for existing shareholders?
- Management shareholdings (and level of sell down)

NZ Mid-Cap IPOs

- Balance between retail and institutional demand
- Aftermarket support always a focus

Market Best Practice

- Board/governance/corporate structure
- Achieving a broad register for long-term benefit of the company

Key Principles

1

Retail volume is critical to mid-cap IPOs

2

Retail investors want price certainty

3

All investors rely on PFI, but expect existing shareholders to have “skin in the game”

4

Governance needs to be best practice

Offer Structure Decisions

- Offer Size / primary v secondary capital
- Bookbuild / Pricing Structure
- Escrow
- Board Composition
- Syndicate Structure
- Offer Timing and PFI forecast Period



SLI offer marketing activity

- Early non-deal roadshow to domestic institutional investors and JLM syndicate senior retail advisers
- Targeted profile building in key media publications in pre-deal phase
- Investment Statement and Prospectus
- Equity research analyst reports, independently prepared, for discussion with institutions
- Management pre-marketing roadshow prior to bookbuild
- PR activity during offer period
- Listing ceremony (with Stephen Joyce)



The IPO team – roles and responsibilities

➤ **Investment Bank(s) – Lead Manager**

- Project management – including providing advice in relation to offer structure, valuation, corporate governance, timetable, preparation of offer documentation and participation in roadshows
- Offer management - Bookbuild, pricing and allocation process, can include underwriting/firm allocations

➤ **Legal adviser**

- Manage the offer document preparation and verification, lead the regulatory engagement and due diligence process
- Ensure compliance of all marketing materials with FMA and NZX requirements

➤ **Accounting /tax advisers**

- Undertake financial and tax due diligence, prepare auditors report
- Review historical and prospective financial information for disclosure in the offer document, potentially provide IAR for inclusion in prospectus

➤ **Company**

- Company involvement largely led by the CEO, CFO and the Directors who are members of the DDC
- Participate in 'working group' to oversee offer preparation, participate in DDC meetings and approve the offer documentation
- Prepare historical financial statements and projections for review by the Accountants and Lead Manager
- Management roadshows to investors

➤ **Other key advisers**

- Logistical providers (share registry, designer, printers etc)
- PR adviser



The Due Diligence process

- A Due Diligence Committee is formed for the IPO process and meets at regular intervals to discuss key matters relevant to the issuer and the offer
- Due Diligence Committee has formal membership, with certain advisers undertaking investigations and reporting back to the committee (e.g: legal, accounting and tax)
- A thorough Due Diligence process helps to identify key issues for disclosure and provides protection and comfort for those signing off the prospectus
- All statements in the offer documents are signed via a formal verification process



Overview of incoming FMCA changes for IPOs

- Financial Markets Conduct Act
 - Fully commences 1 December 2014
 - Should see shorter simpler documents for retail investors
 - Liability settings much clearer – focus on civil liability (compensation) for investors if a mistake arises
- ‘Same class’ offers: Much simpler follow-on offers once listed
 - for new capital
 - for shareholders to sell blocks
- May mean we see smaller IPOs, and then follow-on raises at higher valuations !

IPO offer summary

Pricing Structure	Upfront bookbuild
Bookbuild Date	5 May 2013
Listing Date	31 May 2013
Institutional Offer	New Zealand only
Retail Offer	Broker Firm
Price	Indicative price range: \$1.40-\$1.80 Final IPO price: NZ\$1.50
Offer Proceeds	NZ\$27m (\$15m primary)
Market cap	NZ\$87m
Pricing	NZ\$1.50 issue price represented: – EV/FY14 Revenue 3.5x – EV/FY14 ARR 3.0x
DeutscheCraigs role	Joint Lead Manager

**Book 2.5x
covered at final
price**

**9 institutions
received IPO
allocations**



NZX is delighted to welcome SLI Systems to the market. The company is an innovator in international technology markets and is leading the way for many New Zealand companies.”



-Tim Bennett, CEO NZX

Life after listing



SLI's aftermarket performance



Capitalisation	
Market Cap	\$112m
Net cash	\$14m
Options outstanding ¹	6.3m
Fully diluted equity value ¹	\$120m
Enterprise value	\$106m

1. Options outstanding as of 8 May 2014. Fully diluted equity value based on Treasury Stock Method assuming weighted average option strike price of NZ\$0.73 as of 31 December 2013 (7.0m options outstanding at that time)



SLI's half year performance

- We are on target
 - ARR of \$21.6m at 31 Dec
 - Total revenue for the 6 months of \$10.6m
 - Loss of \$2.3m
 - Retention rate of 91%

- Learning Recommendations product released

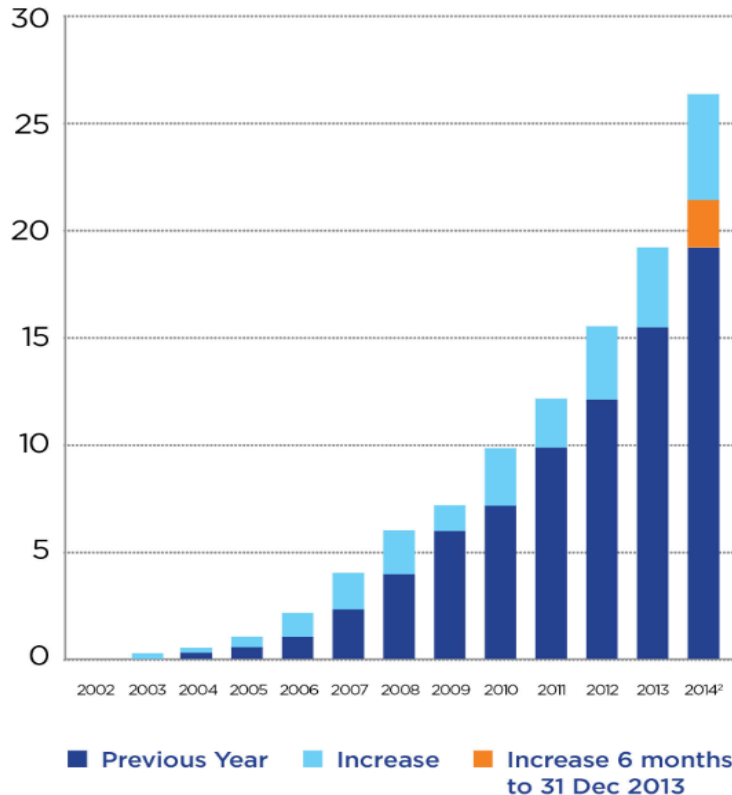
- One billion queries served in December

- Opened Japanese office



Annualised Recurring Revenue (“ARR”)

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
- Seeing an 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.



Growth Strategies

- Growth in existing markets
 - We have expanded our sales staff in the US, UK, Australia and Brazil to a total of 35
- Growth from existing customers
 - Have built out our Account Management team to focus on upselling
- Opportunities in new markets
 - Established Japan office
- Growth from new products
 - Recently released Learning Recommendations
 - 12 year track record of innovation and new product development, with potential new products in the pipeline



Post listing capital raising options

- Placements – up to 20% of current issued share capital in any 12 month period (without shareholder approval)
- Share purchase plans – cost effective way to raise new capital, up to \$15,000 per shareholder
- Rights issue – pro rata issues to existing shareholders provides ability to raise more capital without shareholder approval
- Dividend reinvestment plans – good for raising small amounts of capital if dividend payer

Recent introduction of FMCA offers an exclusion for “same class” offers

Shaun's key takeaways

- Get to know the investment bankers / institutions early
- Have a good story
- Don't be afraid
- Buy a big gong!!!



Questions?





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