

Flight Centre Limited

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Presentation by
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FLT: The business model



REPLICABLE MODEL



FLT is a sales and marketing company with standardised operating systems globally
This has allowed the company to expand rapidly via organic growth

SMALL TEAMS



The company is divided into small teams, typically of 5-8 people
A team includes a leader and a future leader and is part of a broader area and nation

INCENTIVISED WORKFORCE



Flexible wage bill as all staff are incentivised – rewarded for achievement
Sales staff are incentivised to surpass cost of seat, earnings are not capped

MINIMAL LAYERS



FLT has minimal support structures and management layers
Maximum of 5-6 layers between any employee and global executive team

LOW COST MODEL



More than 80% of FLT's 13,000 people are sales staff
No secretaries, car parks, individual offices – CEO and executive team share an office

FLT: An overview



COMPANY HISTORY



Established in the early 1980s as Australia's first airfare discounter
FLT listed on the ASX in 1995 at an issue price of 95cents

GEOGRAPHIC DIVERSITY



Today FLT has more than 2200 company-owned businesses in 11 countries
Almost half are located outside Australia
FCm corporate travel management network extends to additional 60 countries

BRAND STRENGTH



Almost 40 brands – retail, corporate and wholesale travel, travel-related and other
Flight Centre recognised as Australia's 14th most valuable brand (Source: Interbrand)

PEOPLE



Staff numbers growing about 10% each year
Opportunities to progress professionally – 3 executive team members started as travel agents, as did FLT's leaders in UK, USA, Canada, RSA, NZ and Dubai

GROWTH RECORD



Since listing, profit has exceeded prior year 13 times in 15 years
Targeted 10/11 result will be another record and represents 10-20% growth on 09/10

Diversity: Almost 40 brands



Retail Travel

- Flight Centre
- Liberty Travel
- Escape Travel
- Student Flights
- Travel Associates
- Cruiseabout
- Flight Shop
- Discount Cruises
- Round The World Experts
- Intrepid Retail (JV)

Wholesale Travel

- Infinity
- Explore
- GOGO Worldwide Vacations
- Escape Holidays
- Ticket Centre

Corporate Travel

- FCm Travel Solutions
- Corporate Traveller
- CiEvents
- Stage & Screen
- Campus Travel
- Liberty Business Travel
- Flight Centre Business Travel

Travel Related

- Back Roads Touring (JV)
- Travel Money

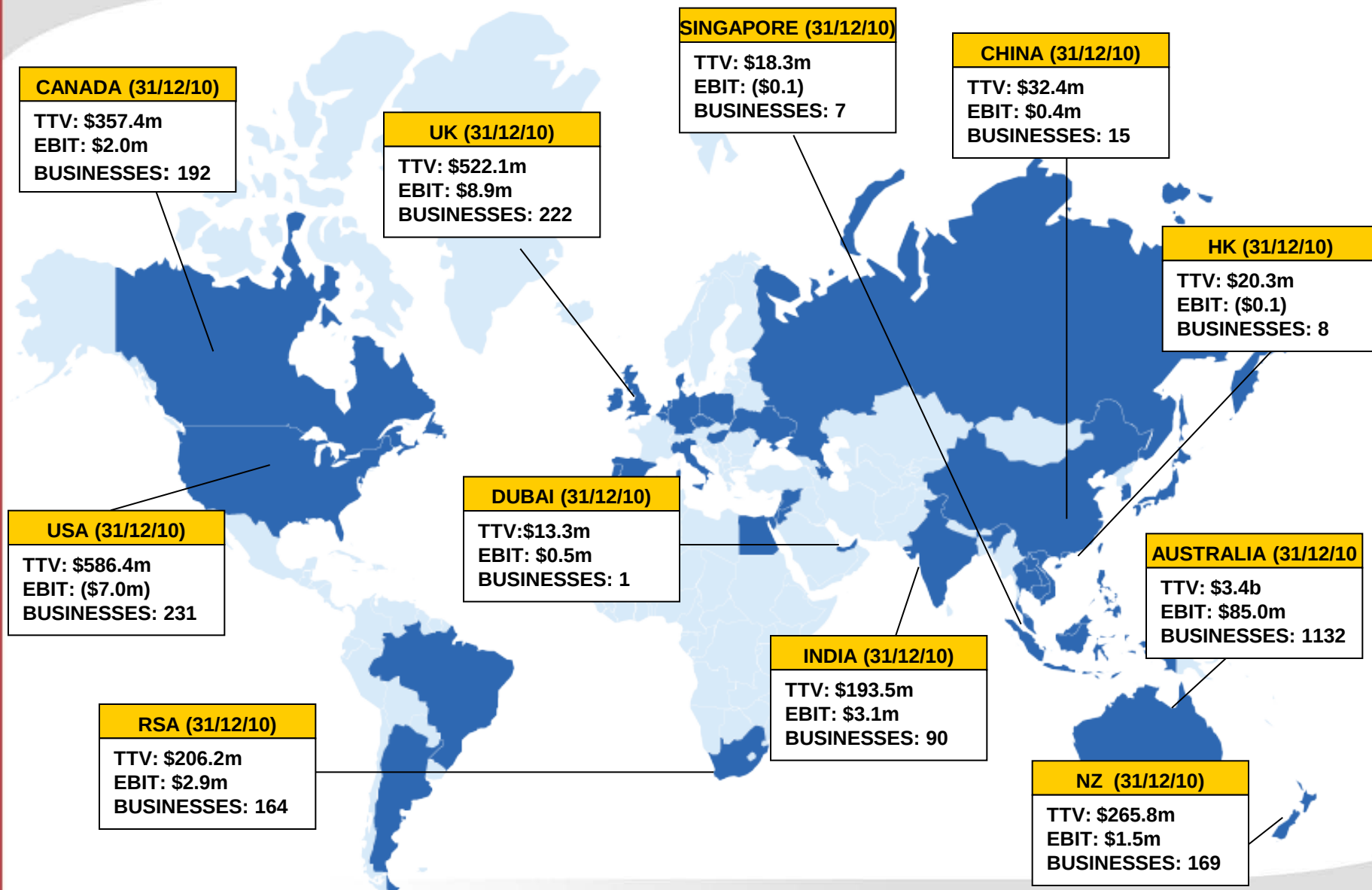
Online Travel

- flightcentre.com (Asia)
- quickbeds.com
- flightcenter.com (USA)
- hotdeals.com (various brands)
- gapyear.com
- baliholidaypackages.com.au
- myadventurestore.com
- itchyfeet.co.nz
- ontour.co.uk
- travelthere.com.au

Other

- 99 Bikes (JV)
- Advance Traders Australia (JV)
- Employment Office (JV)
- Healthwise
- Moneywise

Diversity: At December 31, 2010



2010/11: The year so far

PROFIT



On track for record result after strong first half growth – no change to guidance
Performing in line with expectations and targeting \$220million-\$240million PBT

SALES



Ticket sales growing healthily – cheap airfares continuing to stimulate demand
Income margin returning to normal levels, but gross margins improving during 1H

WORLD EVENTS



Some impacts from QLD floods and cyclones, NZ earthquakes and Japan tsunami
Overall impact not material to FLT's earnings
FLT donated \$3.3million to QLD Disaster Relief and \$NZ1million to Christchurch fund

LEISURE & CORPORATE



Corporate businesses performing strongly after slow recovery during 09/10
Discerning leisure travellers – booking in good numbers but looking for bargains

AUSSIE DOLLAR



Contributing to healthy international sales, but cheap flights remain major driver
Affects overseas result translation – UK TTV up 23% in local currency during 1H

DOMESTIC TOURISM



Australian domestic tourism remains a large and important sector for FLT
Increased domestic sales YTD but international sales growth has been higher

2010/11: Strategic priorities (Argenti)

LEADERSHIP



Aim: Attract and retain the right leaders in the right numbers

Key projects: Graduate recruitment, future leader project, mentoring, accreditation

UNIQUE PRODUCT



Aim: Source and manufacture unique air and land product for customers

Key projects: Black Market airfares, My Time

ONE BEST WAY



Aim: Use the company's "One Best Way" concept in all major areas, such as brand guides and customer systems

Key projects: Big Easy – making it easier to source, quote and book the best deals

BUSINESS GROWTH



Aim: Apply effective business growth systems and milestones follow-up on new, emerging and acquired businesses

Key projects: 15-20 businesses currently part of BGS program

SYSTEMS



Aim: Enhance FLT's global distribution system for air, land and the web

Key projects: Consultant desktop now at pilot stage, ahead of global roll-out

MARKET SHARE



Aim: Defend FLT's model and grow market share in and against internet products

Key projects: Ongoing expansion of FLT's online stable

Growth: Future opportunities

SHOPS & SALES FORCE



Aim to increase consultant and business numbers globally by 10% per annum
More rapid growth likely in some market segments

CORPORATE TRAVEL



FLT now one of the world's largest corporate travel managers
Marketshare lags leisure share and is relatively small in some overseas geographies

AUSTRALIAN GROWTH



Flagship Flight Centre leisure brand likely to grow at a slower rate
Good opportunities to grow other brands for foreseeable future

NZ, RSA & CANADA



Canada on track for record profit
NZ profitable and performing reasonably, despite Christchurch earthquake
RSA capable of delivering \$10m annual result

ASIA



Dubai and India performing well – opportunities in both leisure and corporate markets
Good results in China, HK and Singapore – key corporate travel service markets but not currently viewed as major profit drivers for FLT

UK



Likely to remain FLT's 2nd largest market for foreseeable future
Major profit contributor – good corporate presence and results, hyperstores

UK hyperstores: Key features



KEY FEATURES

- Can house up to 50 consultants (8 teams)
- Consistent with FLT's small team model
- Cost-effective access to prime UK retail sites
- Lower rent obligation per person
- Flight Centre teams in prime walk-in locations
- Corporate and "direct" teams in other spaces
- Prominent locations:
 - Oxford Street
 - Kensington High Street
 - Oxford City
- Smaller "megastores" also operating
- Potential to use model in some US cities

USA: A work in progress

IMPROVED RESULTS



Overall losses decreased during 1H 2010/11 and targeting positive full year EBIT
If achieved, full year profit will be FLT's first in the USA (1st FC shop opened 1999)

FCm CORPORATE



FCm business now in 11 cities and performing well
On track to deliver record profit during 2010/11

GOGO WHOLESALE



Regaining momentum following system changes – good future signs
Changes have given FLT's sales staff globally access to directly contracted American product

LIBERTY RETAIL



Good enquiry but conversion remains a challenge during key 4Q booking period
Broader sales mix needed – vacation package specialist but opportunities to grow cruise, Europe and long haul sales alongside core niche

GOODWILL



Monitoring current and forecast performance to ensure goodwill balance is appropriate
As flagged previously, possibility of non-cash impairment

FUTURE POTENTIAL



Medium term goal is to generate a 1% PBT margin – would translate to \$20million PBT
In leisure travel, aim is to be a significant niche player specialising in offline market

The web: A challenge and an opportunity

ONLINE PENETRATION



Most online sales are direct to suppliers in Australia
Limited penetration in international airfare sales so far – greater success in last minute accommodation and simple point-to-point airfares

THE CHALLENGE



Airlines typically pay little or no margin for online sales – challenge is to make money
Online players typically apply additional booking fees – making them more expensive – or generate funds by selling advertising or hotels

THE OPPORTUNITY



Some customers prefer to book online
FLT has not traditionally targeted these customers via a fully transactional website

FLT'S WEB STRATEGY



Developing three key areas online
1) Enquiry generating sites 2) Transactional sites 3) Direct brands

SOCIAL MEDIA



Social media experts now in place in most markets – using facebook, blogs etc to enhance branding, engage with customers and generate enquiry
gapyear.com acquired

End of presentation



Questions