

Flight Centre Limited

Analyst Briefing

August 30, 2011

Presentation by

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2011: Highlights



RECORD RESULTS AND CONTINUED DIVERSITY

- Best sales and PBT performance in FLT's 30 years
- Led by strong corporate travel performance
- Sales growing and good margins – despite the threat of the net
- Overseas businesses gaining scale and making solid contributions
- Balance sheet stronger and a competitive advantage

2011: Evolution and diversification



CONTINUED EVOLUTION



2011 result highlights FLT's evolution beyond its traditional retail roots
Corporate-led result, after strong leisure travel performance in 2009/10

INCREASED DIVERSITY



30% of TTV is now corporate
Vertically integrated wholesale model contributing to ongoing healthy margins

GROWTH PROSPECTS



Diversified portfolio of offerings supports FLT through changing business cycles
Brand and geographic diversity a shield against downturns in any one country or sector and means no chance of reaching saturation point in any market

2011: Growing on and offline



COUNTERING THE THREAT OF THE NET

- TTV up 12%, record profit, margin near record levels
- FLT countering arguments that online will erode margins, marketshare and profit
- PBT has increased from \$76m-\$245m (Underlying PBT for 2010/11 :\$245.2m and Actual PBT for 2010/11: \$213.2m) during past 10 years – despite emergence of web
- Opportunities to blend online offering with FLT's 2200 shop network – an unique offering

2011: Gaining scale overseas



GROWING GLOBALLY



Half of FLT's shops are located overseas
UK and USA now generate more than \$AUD1b in TTV annually
Canada closing in on the \$1b barrier

PROFIT RECORD



All 10 countries profitable (EBIT) for first time
Good results from emerging countries – India, Dubai

2011: Balance sheet strength



POSITIVE NET DEBT



\$1b global cash and investment portfolio
\$377m in company cash, \$168m in debt
\$209m positive net debt position

POSITION OF STRENGTH



Balance sheet strength means FLT is well placed to withstand external shocks
Able to be aggressive when competitors struggle in challenging trading climates

READY TO CAPITALISE



Able to offer credit to corporate clients
Maintain and increase marketing spend to win marketshare
Pursue and fund acquisition opportunities

Corporate: Key points



GROWING STRONGLY



FLT's corporate businesses now generate up to 30% of TTV globally
Business is highly productive – high conversion rates - and low cost (rent and fit-out)

MAJOR PLAYER



More than 400 company-owned offices in 10 countries – strong brand stable
Corporate sales force includes more than 2200 account managers and BDMs

GLOBAL REACH



FLT created the global FCm network in 2004
Network now extends to 75 countries – combination of company-owned businesses and independent local licensees – making FCm one of the world's top 5 TMCs

EXPANSION POTENTIAL



Strong commitment to organic growth in all brands
Bolstered by strategic acquisitions – ITG, SBT, Britannic, Friends Global Travels

PEOPLE FOCUS



Personal service a priority in all brands – no call centres
Highly experienced travel experts – many were formerly Flight Centre travel agents

Corporate: FCm Travel Solutions



TARGET MARKET



Larger companies - national, regional or global
Multi-million dollar travel spends
Procurement driven – cost minimisation, expense management, reporting etc

TAGLINE



“Better Travel Ideas. Greater Savings”

CLIENT OFFER



The largest TMC HQ in Australasia
Small locally based teams – no call centres
Same team manages your entire program - accountability
Part of a global network – consistency of offering
Part of the FLT network – access to product
24/7 Solution

FOOTPRINT



Company-owned businesses in Australia, New Zealand, UK, USA, Canada, South Africa, India, China, Hong Kong, Singapore and Dubai
FCm network extends to 75 countries – licensing arrangements with independent operators



FCm global network
(Equity and partner
countries)

Total 75+ countries
Network - \$4.67b
EMEA - \$2.51b
APAC - \$1.25b
AMERICAS - \$914m

Offices
Network - 383
EMEA - 255
APAC - 83
AMERICAS - 45

Staff
Network - 6343
EMEA - 2976
APAC - 2117
AMERICAS - 1250

FCm
TRAVEL
SOLUTIONS

Corporate: Corporate Traveller



TARGET MARKET



Typically SME - spending \$50K to \$2M

Less requirement on sophisticated reporting, more focus on relationship, value add, high touch service

TAGLINE



"Bring an Expert on Board"

CLIENT OFFER



Small, locally based teams – no call centres

No contracts and flexible terms

Airfare experts

Access to the best product – price and range

Stay for Free and Fly for Free

Simple, tailored reporting and booking tools

FOOTPRINT



Offices in Australia, New Zealand, UK, USA, Canada and South Africa

Corporate: Campus Travel



TARGET MARKET



Academia (professors, lecturers etc) in the tertiary education and research sectors
Will serve as a sole provider or as part of a panel
Can range from relatively small spend to more than \$20M

TAGLINE



"The Smart Choice"

CLIENT OFFER



Only Australian based TMC focused exclusively on travel for academics
Rates negotiated specifically for the academic and research sectors

FOOTPRINT



Locations throughout Australia
Opportunities to expand overseas

Corporate: Stage & Screen



TARGET MARKET



Businesses operating in entertainment and sports related industries
Wide range in spend

TAGLINE



“Strength behind the Scenes”

CLIENT OFFER



Entertainment rates
Largest Australian-owned travel advisory to partner the entertainment and sports sectors
The only Asia-Pacific based entertainment/sports travel specialist to offer international reach

FOOTPRINT



Locations in Australia, USA and Canada

Corporate: Ci Events



TARGET MARKET



Conferences and events, production and loyalty programs
Wide range in spend

TAGLINE



"Add magic"

CLIENT OFFER



End-to-end event management solutions for corporate clients
Logistics, production, content, outcome-designed B2B loyalty programs

FOOTPRINT



Locations in Australia, UK, New Zealand, Hong Kong and China

Corporate: Future opportunities



Asia & Middle East: Gaining scale



CORPORATE v LEISURE



FLT's businesses mainly target corporate travel market, but leisure also developing
Region is key hub for corporate clients – company owned local presence is important

INDIA



Corporate business performing well and growing strongly
Eight leisure shops now open – targeting high-end clients – and poised for further growth

GREATER CHINA



Combined China-Hong Kong region generated inaugural EBIT profit during 2010/11
Flight Centre retail brand now in Hong Kong and Shanghai – websites and head office-based sales teams

SINGAPORE



Combination of FLT corporate start-up and 2010 acquisition
First FC-branded leisure shop opened in May and performing well
Inaugural EBIT profit during 2010-11

DUBAI



Business performing strongly
EBIT and TTV increasing healthily

Product: FLT's unique offering



MULTI-CHANNEL



FLT has 2243 businesses in 10 countries
Includes extensive leisure, corporate, wholesale (direct contracting) and online divisions

SUPPLIER RELATIONS



Want to be the business that suppliers choose to work with
FLT works with broad supplier base – ensures customer access to full product range

PRODUCT DEPTH



More than 40 airlines currently preferred in Australia, plus more than 70 land operators
Direct contracts in place at thousands of hotels through FCGP

BUSINESS SCALE



FLT typically issues up to 85,000 air tickets per week in Australia
Direct hotel contract (leisure) TTV expected to grow from \$1.0b in 2009/10 to approximately \$1.5b in 2011/12

DOMESTIC PRODUCT



Direct and indirect domestic product sold in 2010/11 was \$330m– through Quickbeds.com, Wholesale and Corporate businesses



2012: Top 7 global foci



NUMBER 1



RETAIL EFFICIENCY and PRODUCTIVITY

**KEY
PROJECTS**



Big Easy – improving the customer and consultant experience
One Best Way – Greater global consistency and standardisation
Consultant Knowledge & Training
Manufacturing Product – unique air and land
Role of Area Leader & Owner of OBW
Brand Website & Offline / Online Interplay

Student Flights

go your own way

Your location **Sydney** ▼

Search **go**

Today's top three

Bali flights from **\$757***
Los Angeles flights from **\$1,211***
London flights from **\$1,459***

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BLACK MARKET FLIGHTS

my trip

need ideas?

more info

FROM

Sydney ▼

DEPARTURE DATE

13/09/2011



TO



1

FROM



DEPARTURE DATE



TO



2

FROM



DEPARTURE DATE



TO



3

[clear all] [terms and conditions](#)

get quote

**Breaking the rules,
not the bank!**



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enlarge map

total trip duration **0 days***

share me

Share

33

Tweet

6



2012: Top 7 global foci



NUMBER 2



AREA LEADER ROLE AND ONE BEST WAY AREA

**KEY
PROJECTS**



Retail business model – the next evolution
Redefine the Nation, Area & Team Leader roles
“Area” as a key business unit
OBW Manual Mark 2
Area Leader training – outset & ongoing



2012: Top 7 global foci



NUMBER 3



GLOBAL CORPORATE GROWTH

**KEY
PROJECTS**



IT – Platforms for Productivity, Traveller Tracking & Security, mobility solutions

Product – air and land margins

Account Management

Marketing – “delivering the message”

Partner Network – “keep it in the family”

Sales – Global and national Bid Management system

2012: Top 7 global foci



NUMBER 4



ENQUIRY MANAGEMENT

**KEY
PROJECTS**



Enquiry management tools
Local Store Marketing system & customer databases (portfolio)
Specialisation – right enquiry to right business/person
GAG/MSG system deployed globally
Global Expo deployment
Customer Insights Project – predictive capability
Opening & After Hours Project & Email Conversion

2012: Top 7 global foci



NUMBER 5



CUSTOMER CARE IMPROVMENTS

**KEY
PROJECTS**



Customer Portfolio / ownership system

Customer Excellence Program

After Hours System – all brands

Customer Assist structure & operations

Customer complaint revolution

End-to-end sales process before, during & after

2012: Top 7 global foci



NUMBER 6



SUPPLIER RELATIONS

**KEY
PROJECTS**



Global Deals
Manufacturing unique air and land product
Prepurchasing / commit deals
LCCs – distribution and margin
Flightsplus.com – global air and ticketing
Corporate air and LAND
Vertical integration

2012: Top 7 global foci



NUMBER 7



EMERGING BUSINESSES

**KEY
PROJECTS**



Global and National Brand Management system improvement
System for Success replicable for new businesses
Recruitment system for emerging businesses
Training system for emerging businesses
Enquiry generation for new businesses
Right leadership and ownership scheme

Cruiseabout



Recent developments...



UNIVERSAL DESKTOP



New consultant desktop currently being rolled out in Australia
Secured as part of GDS deal and will initially operate alongside legacy systems
Faster and simpler – will enhance FLT's ability to distribute airfares

UNIQUE PRODUCTS



FLT is manufacturing and selling unique product to differentiate its services
myTime program, Black Market airfares

FLIGHT CENTRE GLOBAL PRODUCT



Direct contracting model operating successfully in key markets and contributing to margin
Will be launched in Asia as FLT's leisure and corporate businesses expand in the region

ONLINE BOOKINGS



travelthere.com launched as proof of concept transactional website
Dynamic packaging – international flights, 50,000 hotels, hire cars and activities

myTime – an unique value-add



mytime
IT'S ALL ABOUT ME

An Exclusive Vacation, Just For YOU
Just for the My Time logo here is what properties, with much more to come!

It's My Time to receive...

- up to 40% discount on resort activities and upgrading
- free upgrades upon availability
- preferred seating and reservations at on-site restaurants
- my own private check-in area
- personalized sun beds, just for me
- my own concierge desk and a personal welcome from the Chief Concierge
- up to \$100 in Resort and Spa Credits
- free spa treatments valued up to \$500
- a welcome gift from the hotel, waiting on my pillow
- special room fees and discounts to special VIP status

On this vacation, it's ALL ABOUT ME!
It's My Time!



My Time is more than just a vacation, it's an experience, designed with YOU in mind... at no additional cost!

GOGO
Available Exclusively Through VACATIONS

For a complete list of participating properties & inclusions, contact your local travel agent or visit www.gogoworldwidevacations.com

KEY FEATURES

- Developed in USA and launched in Feb 2011
- Rewards travellers when they book holidays from FLT
- Bonuses currently available at selected properties in Mexico, the Caribbean, the Dominican Republic and Aruba
- To be expanded to South East Asia and Pacific during 2011/12
- Bonuses can include:
 - ✓ Exclusive priority reception areas
 - ✓ Onsite discounts and upgrades
 - ✓ Arrival and departure gifts
 - ✓ Access to dedicated destination representatives
 - ✓ Direct-to-resort coach transfers
 - ✓ Welcome receptions; and
 - ✓ Exclusive tours, activities and discounts

travelthere.com – transactional website



Flight search results

[modify search](#)

Save time, save money!

No booking fee
when you book a hotel or car hire with your flights

Search results for
Sydney, NSW, Australia - (SYD) To
London, Great Britain - (LHR)
Monday, 19 September 2011 - Tuesday, 4 October 2011
1 Adult, Roundtrip, Service class Economy

Displaying 1 - 6 of 9 results [View more airlines](#)

Airline	V Australia	Multiple Airlines	Emirates	Etihad Airways	Singapore Airlines	Cathay Pacific
Non Stop						
1 Stop		\$2,054.64	\$2,205.72	\$2,214.64	\$2,278.72	\$2,341.84
2+ Stops						

Filter results

Max Stops
(Show all)

☒ Non Stop
☒ 1 Stop
☒ 2+ Stops

Airline
(Show all)

☒ British Airways
☒ Cathay Pacific
☒ Emirates
☒ Etihad Airways
☒ Malaysia Airlines
☒ Singapore Airlines
☒ V Australia
☒ Virgin Atlantic Airways
☒ Multiple Airlines

Price
(Show all)

\$2,054 - \$2,700

Displaying 1 - 10 of 54 results [Show full details](#) Page < 1 2 3 4 5 >

Airline	Depart:	Arrive:	Duration:	Total price
Multiple Airlines Number of Stops: 1 Stops: Depart: Mon (19/09/11) Arrive: Tue (20/09/11)	Sydney (SYD)	9:50PM	1:15PM	24Hr 25Min
V Australia London (LHR) Sydney (SYD)	9:10AM	7:10PM	24Hr 0Min	

Total package price from
\$2,054.64
Includes taxes & charges
[See price per passenger](#)

Select flight

travelthere.com – transactional website



Hotel search results

[modify search](#)

Save time, save money!

No booking fee

when you book a hotel or car hire with your flights



Filter results

160 of 160 Results Displayed
[Show All Hotels](#)

Price Range Avg/night
\$40 - \$600



Star Rating

- ☒ Show Unrated
- ☒ 1 Star
- ☒ 2 Star
- ☒ 3 Star
- ☒ 4 Star
- ☒ 5 Star

Neighborhoods

- ☒ Show All
- Select Neighborhoods
- ☐ Beverly Hills
- ☐ Century City
- ☐ Chinatown
- ☐ Downtown

Hotel List

Map View

160 of 160 Results Displayed

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Sort by: Rating

Filter by hotel name:



SLS BEVERLY HILLS



Beverly Hills
465 S.LA CIENEGA BLVD
Los Angeles, US



[More info...](#) [Trip Advisor Reviews](#) [View map](#)

Total package price from

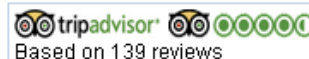
\$867.00

Total package price

Select hotel



Four Seasons



Beverly Hills
300 S DOHENY DRIVE
Los Angeles, US



[More info...](#) [Trip Advisor Reviews](#) [View map](#)

Total package price from

\$966.00

Total package price

Select hotel



L'ERMITAGE BEVERLY HILLS



9291 Burton Way
Beverly Hills, California, 90210 US



[More info...](#) [Trip Advisor Reviews](#) [View map](#)

Total package price from

\$895.00

Total package price

Select hotel

travelthere.com – transactional website



Hotel search results

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Save time, save money!

No booking fee

when you book a hotel or car hire with your flights



Filter results

160 of 160 Results Displayed

[Show All Hotels](#)

Price Range Avg/night

\$40 - \$800



Star Rating

☒ Show Unrated

☒ 1 Star

☒ 2 Star

☒ 3 Star

☒ 4 Star

☒ 5 Star

Neighborhoods

☒ Show All

Select Neighborhoods

☐ Beverly Hills

☐ Century City

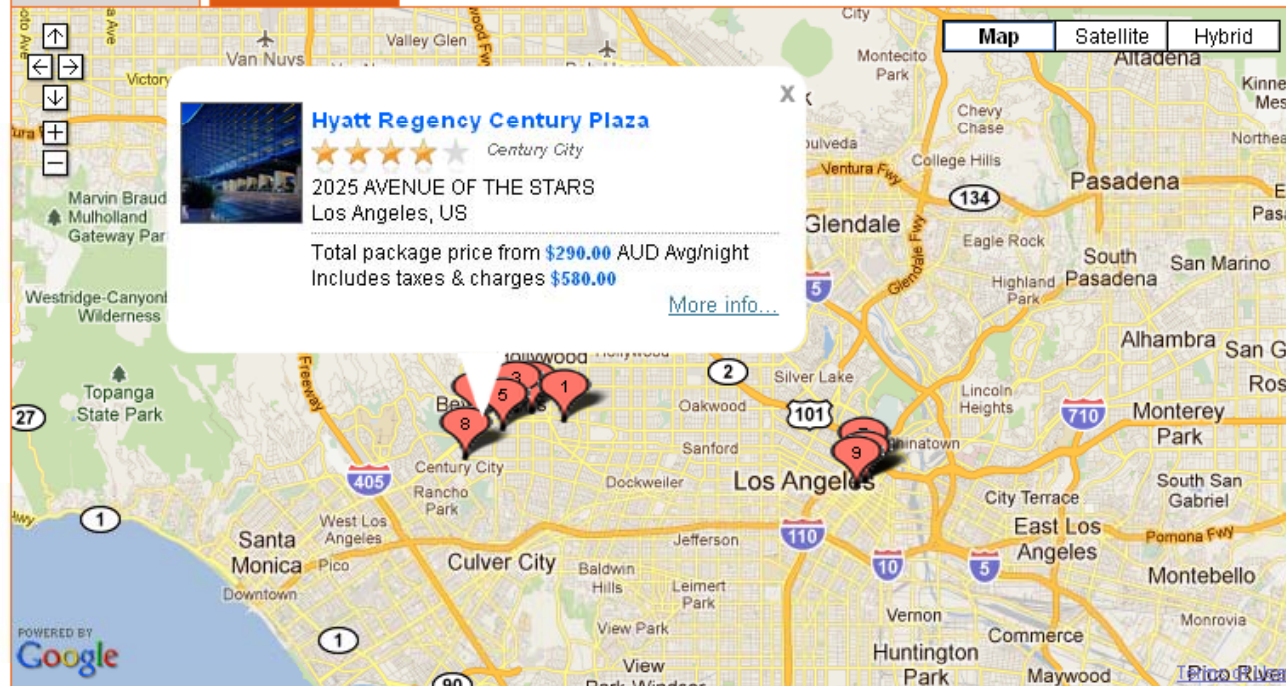
☐ Chinatown

☐ Downtown

☐ Eagle Rock

Hotel List

Map View



Find hotels nearby:

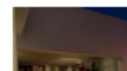
Search

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Sort by: Rating

Filter by hotel name:



1 SLS BEVERLY HILLS

★★★★★

tripadvisor

tripadvisor

Total package price from

2012: Global outlook



PROFIT TARGET



PBT of \$265million-\$275million, excluding major abnormal items that may arise
Mid point in range represents 10% growth on underlying 2010/11 result

MARKET CONDITIONS



Ongoing volatility in USA and UK, monitoring Australian conditions in light of slowdown seen by other retailers during 2H 2010/11
FLT performing in line with expectations – good July

AIRFARE PRICING



Likely to remain highly affordable by historic standards, despite recent fuel surcharge rises
Class action success means some airlines pay a component of margin on fuel surcharges
19 of FLT's airline partners in Australia still don't pay margin on fuel surcharge revenue

EXPANSION



Targeting 10% global shop and business growth – opportunities in all brands
FC brand in Australia likely to grow in foreseeable future but more rapid growth likely in other brands, as has been the case in recent years

2012: Geographic outlook



AUSTRALIA



Leisure and corporate businesses generally performing well
Australian domestic tourism yet to recover
Good growth opportunities, particularly in corporate
Niche travel brands growing rapidly and reasonably successfully
Bike business turning over \$22m after only three years

USA



Targeting further profit growth, following improvement during past two years
Volatile economy makes forward projections difficult at this early stage
Good corporate travel growth prospects
Wholesale system now imbedded in GOGO and results expected to recover
Leisure business generating good enquiry – aim to improve conversion

CANADA



Leisure business trading profitably after struggling since Sept 11
Rapid corporate travel growth in recent years, particularly in SME
Investment in niche areas – cruising, adventure – expected to pay dividends in next few years

2012: Geographic outlook



UK



Challenging economic conditions but good track record of generating profits

Strong growth in sales staff (about 20%) during 2010/11 should deliver future returns

Staff growth will return to normal levels during 2011/12 (10%)

Successful opening of mega stores with multiple businesses over the last 3 years in key locations – Oxford Street, Kensington High Street, Oxford City and Manchester

SOUTH
AFRICA



Targeting further recovery during 2012, after improved performance during 2011

Rapid corporate travel growth off small base – positive sign for future

Good sales staff growth in leisure – solid future sales and profit generator

New leisure platforms being rolled out to enhance productivity and customer experience

NZ



Economy conditions yet to recover from GFC – results yet to rebound

Some positive signs in both leisure and corporate, but a long way to go

Small corporate travel presence with good growth opportunities (relatively low margin)

Niche brands – Ci Events, Cruiseabout, Student Flights, Travel Money – provide platform for accelerated future growth

UK: Round the world



Frequently asked questions



AUSSIE DOLLAR



Strong dollar is positive for international travel but generally a secondary consideration
Most travellers are primarily concerned with airfare prices
Some of FLT's strongest US ticketing months were in 2008/09 when dollar was 65c-70c
Demand was driven by increased competition and drastic price reductions

DOMESTIC TOURISM



Australian domestic travel remains FLT's largest sector – despite perception that all domestic is done online
Overall sector has struggled since 2009

CAPITAL MANAGEMENT



FLT currently returns 50-60% of NPAT to shareholders, subject to business requirements and economic conditions
Required to retain significant funds (government regulation)
Conservative approach to cash management

EARNINGS GROWTH



FLT's underlying profit has increased year-on-year 14 times in its 16 years since listing
Have generally been able to improve results throughout the economic cycle
10% target during 2011/12 will be a good result in uncertain trading environment

SUPPLIER RELATIONS



Good relations with air and land suppliers
Similar contract structures in place to recent years – greater emphasis on guaranteed margin

End of presentation



Questions