

Flight Centre Limited

2012 Full Year Results

August 28, 2012

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2012: Result highlights



RECORD RESULTS



Best sales and profit results in FLT's history – comfortably surpassed 2010/11 records

IMPROVING GLOBALLY



All 10 countries profitable (EBIT) for second consecutive year
Record results in Australia, UK, USA, Dubai, Singapore and Greater China

BUSINESS DEVELOPMENT



Continued sales network expansion – on track to open 2500th shop and business this year
Global projects initiated – Year of the Customer, Big Easy, Travel Shopping of the Future
Unique blended travel experience for customers – best of on and offline models

BALANCE SHEET



Further cash growth and moderate debt levels maintained

SHAREHOLDER RETURNS



Record \$112m to be returned to shareholders via interim and final dividends
EPS exceeded \$2 per share for first time

2012: Financial highlights



TTV

Reached \$13.2b – up 8.5% globally

High AUD affected translation of overseas sales results – TTV up almost 11% at like-for-like exchange rates

PROFIT

\$290.4m PBT is 18.4% higher than underlying \$245.2m PBT in 2010/11 (36.3% higher than actual PBT)

NPAT exceeded \$200m for first time - \$200.1m

MARGINS

Income margin steady at 13.8% – well within FLT's targeted range

Net margin up to 2.2%

CASH

\$400m in general cash at June 30 – part of \$1.09b global cash and investment portfolio

Year-on-year growth despite significant business investment, loan repayments and BOS funding change

DEBT

\$294m positive net debt position – one of FLT's strengths and a rarity for a travel company

Lower debt – some borrowings repaid but major driver was shift in BOS funding model (see appendix)

DIVIDENDS

56% of full year NPAT returned to shareholders – highest percentage return since before the GFC

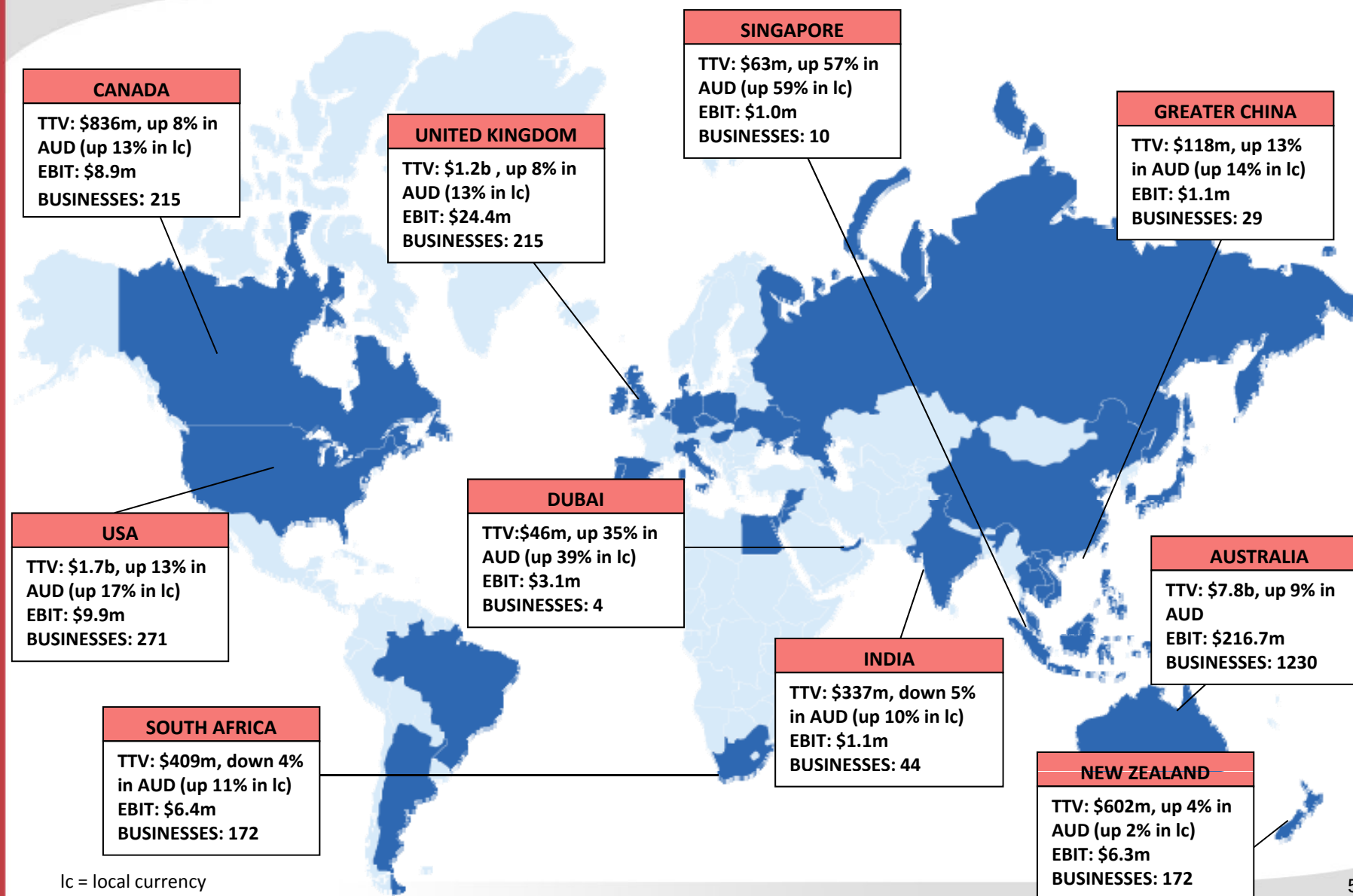
\$0.71 per share final dividend (declared today) is 48% higher than previous final dividend

2012: FLT's continued growth



TTV:	↑	Has more than tripled since 2002 and has exceeded prior year 16 times in 17 years since listing
PBT:	↑	Exceeded prior year 15 times in past 17 years (GFC and 2005 were exceptions)
NPAT:	↑	\$200m profit achieved 5 years after \$100m milestone and 10 years after passing \$50m for 1 st time
INCOME MARGIN:	↑	Equal second best result since FLT began recording income margin
NET MARGIN:	↑	Equal best result since 2002 and only 30bps below record high (2000 and 2002)
OVERSEAS RESULTS:	↑	Combined overseas EBIT has almost doubled in past two years
CASH:	↑	Company funds have increased almost 150% in past three years without raising capital
DIVIDENDS:	↑	Combined 2011/12 return 11% higher than previous record (\$1.01 including a special dividend in 2004)

2012: Results by country



2012: Segmented results - Australia



HIGHLIGHTS

- Record profit and sales
- Solid performance from FLT's most mature business
- Leisure and corporate travel profit growth
- Corporate business gaining market-share and consolidating its position as Australia's largest corporate travel manager
- Projects launched to improve retail productivity and customer service
- International flights made available on flightcentre.com.au
- Online TTV up 25%
- Cycle joint venture generated \$30m in TTV in just its third full year

2012: Segmented results - UK



HIGHLIGHTS

- Strong performance in challenging conditions
- Record profit – easily exceeded previous best
- EBIT up 53% in AUD
- Closing in on GBP1billion TTV target by end of 2014
- Corporate and leisure businesses performing well
- Targeting further improvement during 2012/13
- Growth commitment, focus on front-end productivity and cost control
- Extended shop hours to meet customer demands
- Leisure and SME corporate growing in regional hyperstores
- Expanded BDM network to grow FCm business

2012: Segmented results - USA



HIGHLIGHTS

- Record \$9.9m EBIT – almost double initial target for 2011/12
- Improvement trend continued after losses of more than \$60m three years ago
- Corporate, wholesale and Liberty leisure businesses all profitable, moderate e-commerce losses
- New Flight Express airfare booking tool introduced during 2011/12
- US corporate growing rapidly and set to open in Houston, San Diego and Philadelphia this year
- Opportunistic growth in Liberty leisure business
- Flagship Liberty store a key feature of new Madison Avenue hyperstore
- Expecting to expand Liberty footprint into Dallas and San Diego during 2012/13

2012: Segmented results – other



HIGHLIGHTS

ASIA-MIDDLE EAST

- Record EBIT in Greater China, Singapore and Dubai
- EBIT doubled in Dubai, tripled in Singapore
- India profitable but below expectations
- 6 new leisure shops in India (100% growth)
- Singapore and HK leisure shops performing well

SOUTH AFRICA

- Solid year-on-year growth – good corporate result
- TTV up 11% in local currency

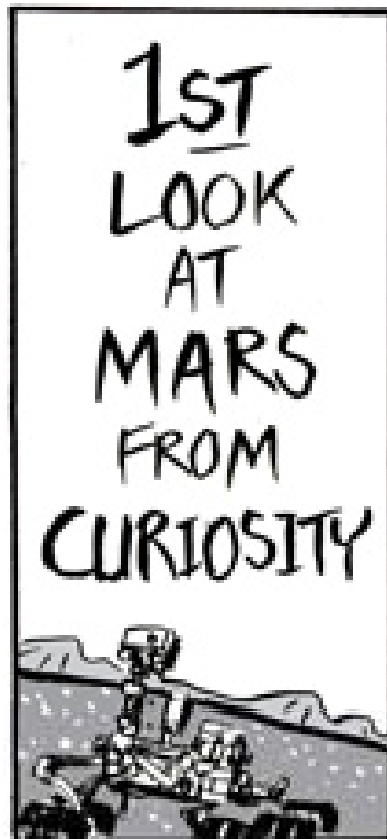
CANADA

- Strong corporate travel result
- Growing leisure footprint in FC brand, Cruiseabout and My Adventure Store

NEW ZEALAND

- Profitable but below expectations
- Good recovery in Christchurch

2012: Expanding FLT's brand footprint



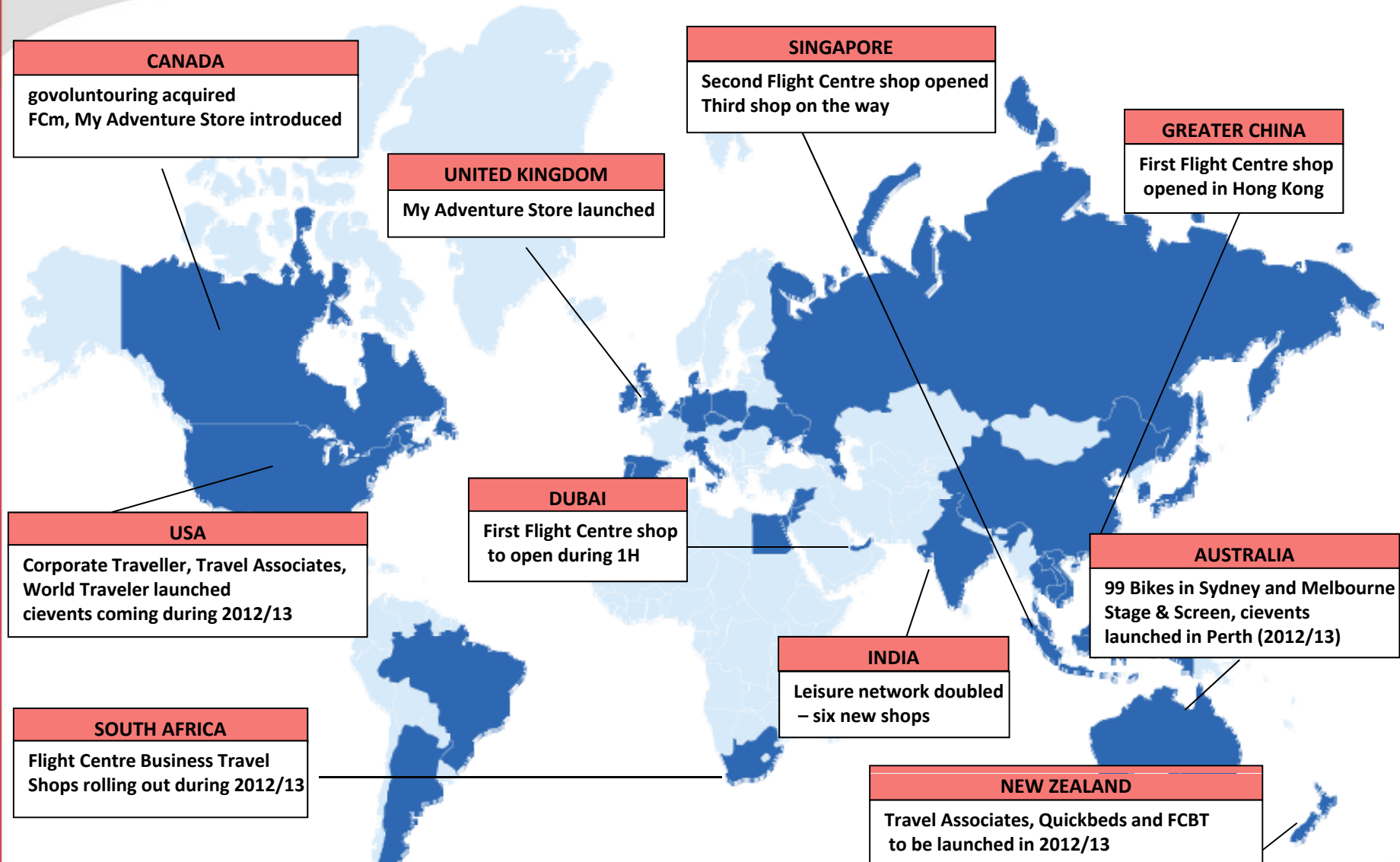
2012: Expanding FLT's brand footprint



GROWTH HIGHLIGHTS

- 5% growth in shop and business numbers globally to 2362
- Sales staff growing slightly faster – up 6%
- Mainly organic growth, plus small acquisition in Canada (govoluntouring) – further small acquisitions possible in the future
- Proactively exporting emerging brands throughout the FLT network
- Asia – First Flight Centre shop opened in Hong Kong, second store opened in Singapore (third due to open soon)
- Middle East – First Flight Centre shop set to open in Dubai this year
- Australia – 99 Bikes launched in Sydney and Melbourne, Stage & Screen and cievents in Perth (2012/13)
- USA – Corporate Traveller, Travel Associates and Worldwide Traveler launched, cievents in 2012/13
- Canada – FCm and My Adventure Store
- UK – My Adventure Store
- NZ – Travel Associates, Quickbeds and Flight Centre Business Travel to be launched in 2012/13
- South Africa – Flight Centre Business Travel outlets being rolled out during 2012/13
- Ongoing opportunities in all markets

2012: Exporting FLT's brands



2012: Works in progress



YEAR OF THE CUSTOMER



Giving customers what they want, when and how they want it
Extended trading hours, new customer complaints systems, online payment facilities

BIG EASY PROJECT



Series of initiatives introduced to make it easier for customers to book with FLT and, at the same time, improve consultant efficiency in two key areas – admin & product sourcing

BLENDED TRAVEL



FLT is developing unique travel offering that marries its on and offline operations
Combines the strengths of on and offline models and sets FLT apart from the competition

flightcentre.com.au



Transactional capabilities boosted significantly – the Web Shop
International flights now available to search, compare and book

EXPORTING THE HYPERSTORE



Successful UK initiative now being exported to other geographies
Flagship shops set to open in Manhattan (USA) and Perth (Australia)

2012: Year of the customer



KEY ELEMENTS

- **Global Sales Academy**
 - ✓ Rolling out throughout the world
 - ✓ Call recording facility compels consultants and leaders to focus on the customer experience, sales techniques and behaviours
- **Customer Excellence Program**
 - ✓ Real-time feedback from customers
 - ✓ Scoring system highlights improvement opportunities
- **The Web Shop**
 - ✓ Blended travel experience that differentiates FLT from competition – customers can interact with the brand, find the biggest range of air and land product and information for planning and dreaming
- **Brand Warrior**
 - ✓ Highlights what each brand stands for, who its customers are and what they expect
- **Professional Sales Program**
 - ✓ Nationally recognised training that enhances consultant knowledge
- **Travel Shopping of the Future**
 - ✓ Shop re-engineering to deliver an exciting, inspiring and engaging experience
- **Customer complaints**
 - ✓ 24-hour resolution target

2012: Big Easy Project

The solution

Travelport Universal Desktop™

Optimising the travel experience



Workflow:
Shop
Profile
Book
PNR
Quality Control
Report

Direct Connect

Multi source content

User experience

Workflow intelligence

Travelport

KEY ELEMENTS

- **Universal Desktop** – new consultant desktop rolled out. Increased range of mainstream air options for consultants, validates and guarantees fares and taxes, holds detailed customer profiles
- **LCC Platforms** – plan to introduce easier to use tools for booking airfares that are not available via the GDS
- **Quickdax** – series of improvements that reduce administrative requirements. Initially a quoting and invoicing tool, later an itinerary and mid-office system
- **Electronic Customer Acceptance** – reduces time spent emailing/faxing multiple documents to clients, allows customers to approve and pay for travel in variety of ways
- **ESS** – consultant tool that will improve ability to track bookings and enquiries, conversion rates, track commissions compared to targets
- **Intranet** – new and improved systems on the way, improved search and systems access capabilities
- **Price Beat Portal** – decreases processing time

2012: The blended travel experience



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☐ Cathay Pacific

Search results for
Sydney, NSW, Australia - (SYD) To London, United Kingdom - (LHR)
Friday, 27 April 2012 - Sunday, 6 May 2012
1 Adult Roundtrip, Service class Economy

Flight search results

Displaying 7 - 11 of 11 results

Airline			
Non Stop			
1 Stop	<u>\$1,982.02</u>	<u>\$2,023.96</u>	<u>\$2,063.62</u>
2+ Stops			

Displaying 11 - 20 of 65 results [Show full](#)



2012: The blended travel experience



KEY ELEMENTS

- **FLT is creating a new category of travel agency – a blended travel network**
- **Company has looked overseas to retailers in the USA and UK to develop this model**
- **Will not be purely an online travel agent or a bricks and mortar business**
- **Blended solution will offer customers instant and deep access to FLT's product in the ways and at the times that suit their needs**
- **Seamlessly 24/7 for customers through expanded web offerings, plus extended shop trading hours, call centres, mobile phone capabilities and more after-hours sales teams**
- **Customers able to switch between sales channels – for example, starting a booking with an expert consultant in-store and completing it online at home**

2012: flightcentre.com.au



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» Unaccompanied minors under 15 years click here

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Specials Cars Holidays Cruises Tours

Please click on the banners below to view more on our hot deals and specials:

KEY ELEMENTS

- Continued enhancements to FLT's flagship Australian website
- Now offering:
 - ✓ Flights to more than 2700 destinations worldwide
 - ✓ More than 100,000 hotels globally from a number of suppliers
 - ✓ More than 30,000 cruise itineraries
 - ✓ More than 4000 coach and tour options
 - ✓ Rental cars at more than 8000 locations
 - ✓ Information for planning and dreaming
- Nationwide advertising campaign – Search, Compare, Book – launched to highlight global airfare booking capabilities
- To be backed by Flight Centre's expert human search engines and vice versa

2012: Exporting the hyperstore



KEY ELEMENTS

- Multiple teams working together in one high profile location
- Lowers rent cost per person – delivers cost effective access to larger, prime sites
- Allows for longer trading hours to meet customer expectations
- Experts always on hand – broader travel knowledge base available in one location
- Leadership – business can be overseen by a “village elder” (general manager), which reduces the need to fast-track large numbers of leaders
- Better branding and merchandising opportunities
- Potentially, provides a cost effective way to enter new cities within FLT’s existing footprint

2013: Outlook



PROFIT TARGET



Targeting 6-8% sales network expansion

Major projects underway but in their infancy and may slow TTV and PBT growth in the short-term

Initial target of \$305m-\$315m PBT – bottom of range represents 5% growth on 2011/12 record

MARKET CONDITIONS



Ongoing economic uncertainty in some geographies – leisure customers cautious during 2011/12

International airfare prices still low – a positive for Australian outbound travel

Overall, FLT performed in line with expectations in July

GLOBAL GROWTH



Opportunities within all countries

Australia leisure productivity focus, corporate expansion after record business growth during 2011/12

UK expanding leisure and corporate presence, focus on productivity and cost control

USA expecting further profit growth – targeting \$10m-\$15m EBIT

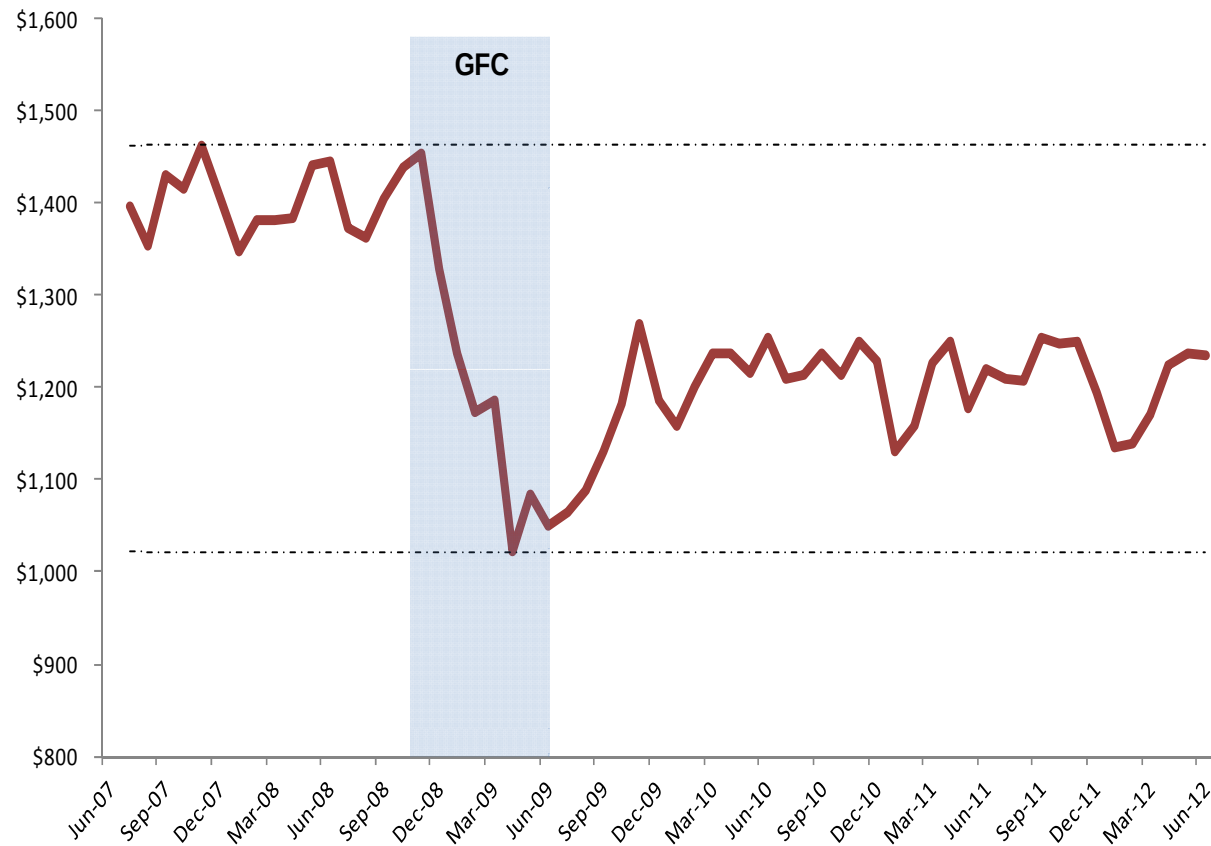
BUSINESS DRIVERS



Seven key strategies in place globally

Focusing on retail efficiency, area-based structure, corporate travel growth, supplier relations, enquiry management, customer care and support of emerging business

Airfares: Average international yield (Aus)



OVERVIEW

- No major change in airfare prices during 2011/12
- Average remains well below pre-GFC levels
- Route specific – some fares are cheaper now than 12 months ago, others are slightly more expensive
- Chinese carriers expanding services and offering attractive fares
- No major changes expected – assuming oil prices are stable

2013: Top 7 global foci



- 1 → Improve retail efficiency and shop operations to provide an exciting, inspiring and engaging in-store experience (Travel Shopping of the Future Project), which links with FLT's expanded online offerings
- 2 → Focus on the area, a grouping of 12-20 shops and businesses, as the key operational unit – thinking small to grow big
- 3 → Accelerated corporate travel growth
- 4 → Closer supply chain relationships for mutual benefit and unique product development
- 5 → Better manage and convert the record levels of enquiry FLT continues to generate
- 6 → Enhance FLT's customer-centric focus to ensure the company's businesses are the preferred choices in their sectors
- 7 → Ensure FLT's emerging businesses have the focus and resources to better create replicable, successful business models

End of presentation



Questions

Appendices



1. 2012 results in brief
2. Five-year results summary
3. Additional cash flow details
4. Additional debt details
5. Global diversity

Appendix 1: 2012 results



RESULTS IN BRIEF		FULL YEAR RESULTS		
		JUNE 2012	JUNE 2011	Variance %
\$' million				
TTV		\$13,238m	\$12,200m	8.5%
Gross Profit		\$1,827m	\$1,678m	8.9%
Income margin		13.8%	13.8%	-
Net margin (underlying)		2.2%	2.0%	20bps
Underlying Profit Before Tax (before abnormals)		\$290.4m	\$245.2m	18.4%
Abnormal items*		-	\$32.1m	-
Actual Profit Before Tax (after abnormals)		\$290.4m	\$213.1m	36.3%
Underlying Net Profit After Tax		\$200.1m	\$170.7m	17.2%
Net Profit After Tax (actual)		\$200.1m	\$139.8m	43.1%
Effective tax rate		31.1%	34.4%	
Dividends				
Interim Dividend		41.0c	36.0c	13.9%
Final Dividend		71.0c	48.0c	47.9%

* 2011 abnormal items: \$27.9m Liberty Travel Group impairment and \$4.2m one-off donations

Appendix 2: Five-year result summary



	JUNE 2012	JUNE 2011	JUNE 2010	JUNE 2009	JUNE 2008 (restated)
TTV	\$13,238m	\$12,200m	\$10,894m	\$11,242m	\$10,880m
Income margin	13.8%	13.8%	14.3%	13.6%	13.3%
EBITDA	\$330.7m	\$256.9m	\$257.3m	\$86.3m	\$231.4m
PBT	\$290.4m	\$213.1m	\$198.5m	\$40.4m	\$201.0m
NPAT	\$200.1m	\$139.8m	\$139.9m	\$38.2m	\$134.8m
EPS	200.1c	140.0c	140.3c	38.3c	138.0c
DPS	112.0c	84.0c	70.0c	9.0c	86.0c
ROE	23.3%	18.9%	19.7%	6.2%	22.3%
Cap-ex	\$55.5m	\$47.1m	\$20.5m	\$70.4m	\$70.2m
Building acquisitions	\$0.1m	\$0.6m	-	\$10.4m	\$42.7m
Selling staff	12,130	11,460	10,267 [^]	9,469	10,419
General cash	\$400.8m	\$376.8m	\$322.3m	\$160.9m	\$160.5m
Client cash	\$631.7m	\$513.6m*	\$504.4m*	\$531.8m	\$578.1m
Cash and cash equivalents	\$1,032.5m	\$890.4m	\$826.7m	\$692.7m	\$738.6m
Available-for-sale investments & other financial assets	\$59.9m	\$64.9m	\$96.2m	\$93.4m	\$246.5m
Cash and investments	\$1,092.4m	\$955.3m	\$922.9m	\$786.1m	\$985.1m

* Client cash has been restated to reflect equal and offsetting overstatement of client cash and creditors. No real cash impact, no impact at a net current asset or net asset level and no income statement impact

[^] June 2010 selling staff numbers restated to include India

Appendix 3: Cash flow analysis



CASH FLOW

- **\$341m operating cash inflow was recorded over the full year, compared to a \$155m inflow during 2010/11**
- **The year-on-year growth in operating cash flow reflects:**
 - ✓ **FLT's healthy global TTV growth**
 - ✓ **Stronger than normal build-up of client funds in the days leading up to June 30, 2012. These funds will be transferred to suppliers during the first half of 2012/13**
 - ✓ **Increased sales of directly contracted land product – FLT holds funds longer when it sells directly contracted product**
 - ✓ **Receipt of some large supplier payments from 2010/11 in 2011/12, which meant the 2011 inflow was artificially low; and**
 - ✓ **Strong corporate trading towards the end of 2010/11, which led to increased client debtor balances at June 30, 2011. Funds flowed in during 2011/12 when clients settled these accounts**

Appendix 4: Debt analysis



DEBT

- Reported debt decreased from \$168m at June 30 2011 to \$107m at June 30 2012
- Some borrowings were repaid but year-on-year reduction primarily brought about by a change in Business Ownership (unsecured note) Scheme funding arrangements
- Under previous BOS funding model, note holders predominantly borrowed funds from external lenders
- Notes' face values were recognised as borrowings in FLT's accounts (repayable to note holders on demand)
- Under the new funding model (launched July 2011), note holders predominantly borrow funds on commercial terms from an FLT subsidiary
- The debt FLT incurs can be offset against the corresponding asset
- Self-funded notes are still included in FLT's reported borrowings (in the order of \$14m at June 30 2012)

Appendix 5: Global diversity – 36 brands



Leisure

Flight Centre
Liberty Travel
Escape Travel
Student Flights
Travel Associates
Cruiseabout
Discountcruises
Flight Shop
Round The World Experts
My Adventure Store (JV)

Corporate

FCm Travel Solutions
Corporate Traveller
cievents
Stage & Screen
Campus Travel

Wholesale

Infinity
Explore
GOGO
Worldwide Traveler
Escape Holidays
Ticket Centre

Online

quickbeds.com
flightcenter.com (USA transactional)
flightcentre.com
discountcruises.com
travelthere.com.au

Services

Employment Office (JV)
Moneywise
Healthwise
FC Business School

Travel-related

Back-Roads Touring
Travel Money
gapyear.com
govolountouring.com

Bikes (JV)

Advance Traders Australia
99 Bikes