

ASX ANNOUNCEMENT

21<sup>st</sup> August 2014

## SEALINK TRAVEL GROUP LTD FINANCIAL RESULT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014

### Highlights

- Continuation of solid sales growth and increased profit returns
- Reported NPAT of \$7.23m, 4% ahead of Prospectus forecast
- Record underlying Net Profit Before Tax of \$11.2 m, up 41%
- Revenue increased by 13.5%, reflecting improvements from all business units
- Substantially higher contribution from Captain Cook Cruises operations, with passenger numbers up over 18%
- Lift in traffic to Kangaroo Island and improved tour passenger numbers
- On-going investment in vessel fleet to accommodate new contractual ferry commitments
- Successful execution of strategy to diversify earnings with establishment of Darwin operations
- Fully franked final dividend of 3.7 cents per share, payable on 15 October 2014

SeaLink Travel Group (ASX: SLK) continued its solid sales growth and increased profit returns during the 2013/14 financial year.

SeaLink today announced a Net Profit after Tax (NPAT) of \$7.23m for the full year ending 30 June 2014, compared to NPAT of \$7.02m for the previous financial year, an increase of 3%.

From a comparative perspective, the June 2013 year included an income tax credit of \$1.3m to remove a deferred tax liability overstatement whilst the June 2014 year NPAT included the after-tax effect of the share listing costs of \$0.6m.

Net Profit before Tax (NPBT) was \$10.3m compared to \$7.9m for the previous financial year, an increase of 29.9%. Included in the 2013/14 result were share listing expenses of \$0.9m incurred in the IPO capital raising of a gross \$16.5m.

SeaLink produced a record underlying Net Profit before Tax (excluding listing costs) of \$11.2 m, up 41% on 2013.

Growth in NPAT reflected increased contributions from all business units – SeaLink South Australia, Captain Cook Cruises and SeaLink Queensland, which includes the new Northern Territory operations.

In a very competitive environment, revenue grew, from \$92m in FY13 to \$104.4m in FY14, an increase of 13.5%, on the back of expansion into Darwin and growth in the core businesses of Captain Cook Cruises and SeaLink South Australia. Turnover from SeaLink Queensland in Townsville was flat as the backpacker market remains relatively subdued in that region.

Managing Director Jeff Ellison said there was a substantially higher contribution from Captain Cook Cruises operations compared to 2013, due to higher turnover and improved margin.

“Revenue growth came through a new contract with Harbour City Ferries, increased patronage for the Hop-on Hop-off ferry service and a very successful October trading period which included the Royal Australian Navy’s International Fleet Review,” Mr Ellison said.

“The Murray Princess also experienced solid revenue and gross margin increases. SeaLink South Australia experienced solid growth from its core operations reflecting increased traffic to Kangaroo Island and improved coach tour passenger numbers.”

Mr Ellison said SeaLink had continued to invest in an increased vessel fleet to accommodate new contractual ferry commitments and the expansion into Darwin, with four new vessels added during the year.

One further “rocket” type vessel was delivered to Sydney Harbour in early July and another further “rocket” is under construction and due for delivery late in 2014. With these 2 vessels, the overall fleet size will be 27 vessels.

There were also major upgrades to several vessels and our new Kangaroo Island ferry passenger terminal was opened in Penneshaw in March 2014.

## ***Review of Operations***

SeaLink’s achievements in its key business segments for the 2014 financial year were:

- Expansion of new ferry services from Darwin to Mandorah and the Tiwi Islands;
- Additional services in Sydney Harbour with new contractual arrangements with Harbour City Ferries, Biennale Festival and Sydney Convention Centre;
- Extended 5 year service contracts for both Palm Island and Magnetic Island, Queensland; and
- Upgrades to the MV Sealion 2000, MV John Cadman 2 and PW Murray Princess vessels.

## *SeaLink South Australia*

The business unit had a solid year where revenue increased by 5% to \$53.1m on the back of increased traffic flow to Kangaroo Island. Passengers, vehicles and freight all grew by around 2%. The business also experienced very good growth on tours, both to Kangaroo Island and in Adelaide and surrounds. Tour passenger numbers were up 16% overall.

Turnover from SeaLink's retail travel centres reduced by \$1.2m. The lower sales were partly due to the closing of the Ski Connection business where sales in the previous year were \$0.6m. Retail centres are under constant review as tourists and locals book more of their holidays directly through the internet.

The Sealion 2000, which operates on the Kangaroo Island route, underwent a major upgrade with \$2.8m invested in the vessel, including \$1.7m in capital equipment. This included new engines, gearboxes, generators, carpet and air conditioning. The new engines will generate fuel savings as well as reducing repair costs over the next 5 years.

The company continues to maintain its coach fleet at a high level to ensure a modern fleet presentation, with a further 2 new Scania coaches purchased, as well as 3 other vehicles for various tours and transfers.

SeaLink also invested in its gateway to Kangaroo Island at Penneshaw, with the new Ferry Passenger Terminal which opened for operation in March, 2014. The Terminal has added a new sense of arrival and quality to the customer experience as well as now selling local Kangaroo Island produce to visitors.

A major achievement occurred in May 2014 when the core reservation system, 'Quicktravel', was upgraded and installed into SeaLink South Australia. The upgrade will improve the booking process, allow dynamic pricing and increase web based bookings.

## *Captain Cook Cruises*

The 2013/2014 year saw some major improvements in the business as well as growth in profitability. In October 2013, the Company signed an agreement with Harbour City Ferries (HCF), the manager of Sydney Ferries, to provide charter vessels through SeaLink's subsidiary Captain Cook Cruises. Under the agreement, charter operator Captain Cook Cruises, will provide three fully crewed, fast, low-wash ferries to Harbour City Ferries for three years. Service commencement dates were progressive, and aligned to the construction of additional vessels by SeaLink.

A newly constructed state-of-the-art passenger vessel, MV Elizabeth Cook, was delivered to Captain Cook Cruises in January 2014 and commenced services for Harbour City Ferries on 3rd February 2014. A further two vessels were also constructed and put into service, MV Mary Reibey in May 2014

as part of the HCF charter agreement and MV Annabelle Rankin in July 2014 for general charter work.

The Company was awarded a contract for the provision of passenger transfers for the Biennale of Sydney Art Festival and a three-year arrangement to carry convention-goers to the temporary convention facilities at Glebe Island.

Passenger numbers grew by over 18% which helped increase revenue by \$7.7m to \$39.5m. In October 2013, Sydney held the Royal Australian Navy's International Fleet Review, a 100 year celebration, which saw a major influx of tourists and substantially bolstered revenue. Additionally, the annual Vivid Festival grew as an attraction and has bolstered Captain Cook Cruises' revenue base.

The MV Freedom Sovereign was purchased in January 2014. This vessel, which was used initially in Sydney on the popular Hop-On Hop-Off service and as a back-up to the existing 'Rocket' fleet. In August 2014, the vessel was delivered to Darwin which has allowed the return the MV Pacific Cat back to Townsville to resume charter work.

During the year, the MV John Cadman 2 vessel underwent a major refurbishment and now presents as a quality dinner cruise and charter vessel as well as a lower cost alternative to the flagship MV Sydney 2000.

Other changes to the business:

- The vessel, MV Rocket V was sold during the year as part of the fleet management plan which is based on maintaining a modern quality offering;
- Further rooms for the PW Murray Princess were upgraded as part of its ongoing refurbishment plan to continue to renew and refresh all rooms; and
- Four vessel berths under lease at Pier 26 Sydney were not renewed as part of a cost rationalisation programme.

### *SeaLink Queensland*

The Townsville business unit's focus during the year was on establishing a new operation in Darwin. Revenue from Townsville operations was flat as lower charters offset the higher turnover achieved from a permanent 5 day service into Palm Island. Turnover from the Magnetic Island operation grew marginally.

In December 2013, the Company signed a new 5 year contract for a permanent 5 day service to Palm Island. SeaLink also signed a 5 year extension agreement for the Magnetic Island service.

The Company was a key driver in the upgrade of the wharf on Palm Island. This project, which was officially opened on 16 July 2014, will now allow berthing at regular scheduled times, rather than relying on tidal movements. SeaLink contributed \$170,000 to the capital cost of the wharf upgrade of

\$1.7m. Revised schedules are now being reviewed to ultimately provide improved services and cost savings.

## *SeaLink Northern Territory*

In September 2013, the Company commenced ferry passenger services in the Northern Territory. These services operate from Cullen Bay, Darwin to Mandorah and from Cullen Bay to the Tiwi Islands. SeaLink, which operates under the SeaLink Northern Territory brand, was awarded these tenders following a competitive process.

The vessel, MV James Grant was purchased in September 2013 to act as the core vessel on the Mandorah route. The MV Pacific Cat, which was based in Townsville, was relocated to Darwin to provide the Tiwi Island service. In August 2014, the MV Freedom Sovereign replaced the MV Pacific Cat on this service.

The Mandorah contract is for a 5 year period whilst the Tiwi contract was for an initial term of 12 months. However, based on the higher than expected passenger demand for this service, the Northern Territory Government has confirmed the extension of this contract for 5 years.

Expansion into Darwin has spread the Group's geographical coverage as well as adding to the company earnings.

## **Dividends**

The Board has declared a fully franked interim dividend of 3.7 cents per share, payable on 15 October 2014. Removing the after-tax effect of share listing costs, this represents a 69% return of after tax profit to shareholders, in line with SeaLink's policy of returning between 50% and 70% of after-tax profit, subject to business needs and ability to pay.

The following dividends of the consolidated entity have been paid, declared or recommended since the end of the preceding financial year:

	Cents per Ordinary Share	Amount
Special fully franked dividend for 2013 and paid on the 18 July 2013.	1.70	\$935,000
Final fully franked dividend for the year ended 30 June 2013 and paid on the 15 October 2013.	3.575	\$1,966,250
Interim fully franked dividend for 2014 paid on the 15 April 2014.	3.66	\$2,597,319

The Board will continue to consider SeaLink's growth requirements, its current cash position, market conditions and the need to maintain a healthy balance sheet, when determining future dividends.

## Outlook

The company is optimistic about the 2015 financial year given the positive outlook for medium term tourism growth.

Managing Director Jeff Ellison said there was continued demand for local leisure products, increased traffic flow in the international market was continuing and demand for charter work in Sydney Harbour was increasing.

"Given normal seasonal and business conditions remain over the next year, the business is well positioned to capitalise on the full year benefits of several initiatives implemented in 2014, being the opening of Darwin and new Sydney Harbour contracts."