

11 August 2016

ABN 49 109 078 257. ACN 109 078 257

## SEALINK TRAVEL GROUP ANNOUNCES STRONG FULL YEAR RESULT

### Highlights

- 141% increase in underlying NPAT from \$9.6 million to \$23.1 million (before expenses related to acquisitions)
- Record result aided by acquisition of the Gladstone and South East Queensland and organic growth in pre-acquisition businesses
- Underlying EBITDA before acquisition related expenses increased 136% to a record \$44.1 million on revenue growth of 59% to \$177.3 million
- Underlying EBIT before acquisition related expenses rose 138% to a record \$35.3m in 2016 from \$14.8m in 2015
- EBIT of pre-acquisition businesses (before corporate allocations) increases 13% to \$21.1m in FY16, with revenue from these businesses increasing 5.4%, mainly attributable to growth in customers and yield per customer
- Underlying EBIT (before expenses related to the acquisition and corporate allocations) of recently acquired South-East Queensland (“SEQ”) and Gladstone business unit of \$19.8m – comfortably meeting expectations
- Underlying basic earnings per share of 24.4 cents, 94% ahead of 2015 earnings per share of 12.6 cents
- Fully franked final dividend of 7.5 cents per share, payable on 14th October, 2016; up 87.5% on 2015 final dividend
- Continued investment in operations, with capital expenditure of \$6.9m

SeaLink Travel Group (ASX: SLK) (“SeaLink” or “the Company”) today announced a Net Profit After Tax (NPAT) of \$22.3m for the full year ending 30 June 2016, representing an increase of 139% on NPAT of \$9.3m for the previous year. This result includes expenses related to business acquisitions.

Before the after-tax impact of expenses related to business acquisitions the Company reported an underlying NPAT of \$23.1m, representing an increase of 140% on 2015 full year underlying NPAT of \$9.6m.

Underlying (before acquisition-related expenses) Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) were \$44.1m, representing a 136% increase on underlying EBITDA of \$18.7m for 2015.



**SEALINK**



**Captain Cook  
Cruises™**

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Managing Director Jeff Ellison said 2016 was a milestone year for SeaLink with the company achieving record sales and profit, with underlying earnings per share up 94% in FY 2016.

“We successfully integrated two businesses and cemented a foundation for growth, with our \$60m capital raising delivering a strong balance sheet, increased liquidity and a conservative debt level.”

The Board has declared a fully franked interim dividend of 7.5 cents per share, payable on 14 October 2016, an increase of 87.5% on the previous final dividend. Combined with the interim dividend of 4.5 cents per share, this represents a payout ratio of 54% of its reported NPAT of \$22.3m, in line with SeaLink’s stated policy of returning 50%-70% of its after tax profit.

In a competitive market environment revenue grew by 5.4% from \$111.7m to \$117.8m for the pre-acquisition business units, with the key drivers being higher tourism sales for Captain Cook Cruises NSW, growth in SeaLink’s Kangaroo Island ferry and tour operations, and new ferry route services and increased Hop-On Hop-Off sales on Sydney Harbour.

EBIT growth in 2016 for the pre-acquisition businesses, (before corporate allocation), was 13.0% from \$18.6m to \$21.1m.

The Company continued to invest in growing its operations, with capital expenditure of \$6.9m for a new ferry being built for Darwin, a tug and barge for the Brisbane mineral sands operations, ferry upgrades and coach fleet additions.

SeaLink also benefited from lower fuel prices. The Company consumed approximately 9.4 million litres of fuel in 2016 and is estimated to consume approximately 11.4 million litres in FY2017 as a consequence of the full year impact of its acquisitions.

Mr Ellison said in 2016 the Company focussed on acquiring and integrating the Transit Systems Marine and Captain Cook Cruises Western Australia businesses.

“The South East Queensland and Gladstone business unit is comfortably meeting expectations and we are very optimistic about the options that a larger and more versatile fleet is already providing SeaLink. The pre-acquisition business units continue to build on the solid momentum established in FY15, with good growth in tourism related sales and yields per customer” Mr Ellison said.

“We are well placed to continue growing our tourism-related businesses in a competitive environment, and are encouraged by the response to our new ferry services and the uplift in sales and margins for the lunch and dinner cruise segment on Sydney Harbour “Mr Ellison said.

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## Divisional Results

### SeaLink South Australia

The 7.4% increase in EBIT (before corporate allocations) to \$15.6m in 2016 (\$14.6m in 2015) was primarily attributable to the benefits of lower fuel prices, higher ferry and tour operations sales, and improved contributions from tour operations, coaches and travel centres.

SeaLink South Australia, which includes touring, accommodation and holiday packages, achieved revenue growth of 2.8% to \$65.1m in 2016, which was mainly due to increased tourism traffic to Kangaroo Island and good sales growth from Kangaroo Island Odysseys, coach tours and the PS Murray Princess. Passenger and vehicle volumes increased by 3.8% and 3.7%, respectively, although freight sales were down 5.7% on last year, reflecting lower agricultural output. Lower margin accommodation packaging sales held back sales growth as suppliers reduced stock available to package.

Overall, this business unit reported a 7.2% increase in sales growth from ferry and coach tour-related operations and recorded a healthy increase in in-bound tourism to Kangaroo Island. Chinese customers grew by 37% with a 2.8% increase in yield per customer from this segment.

PS Murray Princess sales growth continued, increasing 3.8%. Its profit contribution was slightly lower primarily due to the full year impact of higher wages from a new enterprise bargaining agreement and communication expenses related to the installation of Wi-Fi as part enhancing the customer experience.

Spend on vessel repairs and maintenance for the Kangaroo Island based vessels was \$0.4m higher than last year because of a scheduled out of water slipping for the Spirit of Kangaroo Island.

### SeaLink Gladstone and South East Queensland

The marine business of Transit Systems ("TSM") has been performing to expectations since the acquisition was completed on 6 November, 2015. Underlying EBIT for the business unit (before corporate allocations of \$1.3m and non-recurring acquisition-related expenses of \$0.9m) was \$19.8m for the eight months to 30 June 2016. This result also includes a \$1.2m redundancy provision related to all vessel demobilisations for completion of the construction of LNG plants at Curtis Island.

Sales revenue totalled \$58.4m in the eight months of ownership to June 30, 2016. During the period between signing the contract to acquire the TSM business and settlement on 6 November, 2015, it was awarded two new operational contracts for Gladstone. These are now coming on-stream in addition to the existing

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contracts to supply vessels during the construction phase of the Curtis Island LNG plants. Various vessels will be coming off contract over the next 18 months as the LNG plants' construction work is completed.

To date two vessels have been demobilised with the MV Mandurama transferred to our Sydney operation. Of the five Capricornian vessels, one is on wet-lease in Victoria on a monthly rental while another Capricornian vessel is moving from a construction contract to a long term operational contract later this year. Another of these vessels is expected out of construction contract in September 2016, whilst the last two Capricornian vessels are on contract until March 2017.

In December 2015, the business secured a further five year contract to provide a tug and barge service to transport mineral sands from North Stradbroke Island to Pinkenba on the Brisbane River. Given the long term commitment, SeaLink purchased a tug, custom designed barge and an excavator. The new agreement commenced on 1 January 2016.

Also in December 2015, SeaLink signed a further five year contract for the Moggill Ferry, which operates across the Brisbane River.

## Captain Cook Cruises Sydney

Captain Cook Cruises recorded a 10.8% increase in sales growth in 2016. This was primarily attributable to lunch and dinner cruises, the Hop-On Hop-Off ferry service and the full year impact of newly created ferry services. It recorded an 11.6% increase in lunch and dinner cruise customers from Japan, China and elsewhere in Asia, with a solid increase in yield per customer from this base, reflecting the success of our premium product strategy.

The 28.6% increase in EBIT (before corporate allocations) to \$2.6m was attributable to international and domestic tourist growth and our focus on higher-margin premium offers such as our Penfolds Gold and Platinum dinners. Ferry service margins were impacted by establishment costs related to the new White Bay and Watsons Bay services. The Darling Harbour to Circular Quay and Lane Cove to Circular Quay routes' revenue fell \$0.3m, which the Company believes is attributable to exclusion from the Opal Card. Discussions with the NSW State government on this issue continue.

Key peak event periods were solid contributors in 2016 compared to 2015. Captain Cook Cruises experienced record Christmas Day and New Year's Eve trading and strong trading on Australia Day. It also benefited from the extension by a week of the successful VIVID Festival.

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## SeaLink North Queensland and Northern Territory

This business unit's EBIT contribution before corporate allocations increased by 37.0% from \$2.0m to \$2.8m in 2016 on sales growth of 4.0% to \$15.9m. The main contributors to higher sales were Tiwi Island revenue growth from the tourism market, increased sales from the Mandorah service and additional demand for the Magnetic Island service. The other main drivers of a higher EBIT contribution were lower fuel costs.

In FY 2016, SeaLink continued to grow its tourism offering, introducing a new Tiwi Island Adventure tourism package, aimed at growing interest in indigenous tourism experiences. It also launched a new '3 Island Tour' in Townsville.

Positive trends are continuing in Townsville, with passenger numbers increasing from the adventure tourism market.

SeaLink continues to investigate potential opportunities to expand ferry services in the Northern Territory in consultation with the NT government.

A new vessel, due for completion in September 2016, is being constructed for the growing Darwin to Mandorah route to replace the MV James Grant, which is being transferred to Gladstone for a long term contract.

## Captain Cook Cruises Western Australia

Captain Cook Cruises Western Australia reported a small EBIT loss of \$0.4 (before corporate expense allocations) since it was acquired in late April 2016. This result was in line with expectations, given it was in a seasonal low period for this tourism-based operation. The underlying EBIT for this two month period was an improvement on the unaudited g EBIT in the previous corresponding period. Sales were up 5% over the two months.

The government contract for the provision of ferry services to South Perth was extended in February 2016 for a further five years.



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## Outlook

All businesses (except SeaLink Gladstone) are well-positioned to improve upon their FY 2016 full year result, assuming average business and weather conditions.

As foreshadowed in the Company's September 2015 acquisition presentation, Gladstone earnings are expected to decrease upon completion of the LNG plant construction phase. The Company expects FY 2017 EBIT from its Gladstone operations to be approximately \$2.0m lower than FY 2016 due to the continuing transition from construction to operational phase of the LNG plants, which is expected to be completed by March 2017.

Organic tourism opportunities in FY 2017 include continued growth in development of premium products in Sydney and international and domestic tourism growth generally.

Organic transport opportunities in FY 2017 include growth in the White Bay service in Sydney, the introduction of a new light ferry service in Sydney and vessel charter to the Tongan government.

Construction has commenced on a ground-breaking new project involving the construction of two light ferries for Sydney Harbour with a capacity of 60 passengers each. These low wash catamarans will provide high frequency services to locations in the inner harbour, focusing on those with high tourism densities.

Captain Cook Cruises Western Australia's performance to date is well ahead of the previous corresponding period, with growth in 2017 expected from completion of the Elizabeth Quay development, greater State focus on tourism as an economic contributor and the contribution of SeaLink sales teams.

Assuming average seasonal and current business conditions remain over the next year and taking into account the winding back of the ferry and barge requirements for the construction phase for the Gladstone operation, the business is well positioned to report an improved profit for the 2016-17 financial year. Overall FY 2017 has started better than expectations and ahead of last year.

In summary, SeaLink's overall plan for sustainable growth involves:

- Continue to develop cost saving opportunities and efficiencies from acquisitions;
- Ongoing focus on improving yields and gross margins on tourism products;
- Utilise existing sales and marketing platform to promote new products and services;
- Utilise in-house technology skills to improve booking processes and web sites to drive increased sales;
- Two new light ferries will be delivered prior to Christmas to expand on our ferry offerings on Sydney Harbour;
- Work with Northern Territory Government to develop new routes;

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- Continue to seek acquisitions that will enhance, leverage and complement our current capabilities and growth strategies, includes opportunities around Australia and New Zealand; and
- Seek new opportunities internationally to expand our business footprint (Tonga).

**For more information please call:**

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### **About SeaLink Travel Group**

SeaLink Travel Group is one of Australia's most dynamic tourism and transport companies bringing the nation's best tourism experiences to the world. With 1,100 staff across the country servicing six million customers annually with a fleet of 73 vessels (plus 3 under construction) and 32 coaches, the Adelaide-based company has undergone a remarkable period of growth, emerging as a significant player on the national tourism and transport scene.

SeaLink's operations extend across New South Wales, Queensland, Northern Territory, Western Australia and South Australia, and includes:

- Ferry and barging services in South East Queensland and Gladstone in Queensland
- Cruises, ferry and charter services on Sydney Harbour and on the Murray River
- Passenger ferry service in Townsville, Queensland and Darwin, Northern Territory and Western Australia
- Lunch and dinner cruises in Perth, Western Australia
- Passenger, vehicle and freight service between Kangaroo Island and the South Australian mainland
- Day tours, extended touring and charter operations on Kangaroo Island and around South Australia
- Tour wholesaler to the travel trade
- Exclusive 4WD foreign language adventure based tours
- Retail travel agencies in Adelaide, Sydney and Townsville
- Adventure, accommodation and restaurant at Vivonne Bay, Kangaroo Island

SeaLink listed on the Australian Securities Exchange in October 2013.