



STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE - March 31, 2017

ASIA DMC EXPANSION SETS FLIGHT CENTRE TRAVEL GROUP ON

PATH TOWARDS ESTABLISHING A GLOBAL IN-DESTINATION OFFERING

THE Flight Centre Travel Group (FLT) today outlined plans to create a new global business that will provide in-destination services to travellers.

The plans, which are being implemented in conjunction with Vietnam's Thien Minh Group (TMG), will see the companies:

- Create a larger Asia-based destination management company (DMC) immediately by combining TMG's Buffalo Tours business in Vietnam with the smaller joint venture DMC businesses the two companies currently operate in 10 other countries. FLT will also increase its equity in the new, larger venture; and
- Acquire or launch similar businesses in other key regions in the short to medium-term to create a world-wide DMC network

Services provided by the DMC will include transfers, excursions and day-trips, arrangements for meetings and incentive groups and land arrangements for cruises and other tour groups.

Strategic Rationale

FLT managing director Graham Turner said today's deal, which has seen FLT agree to take a 58.5% holding in the expanded Asia business (FLT previously held 49% of the smaller JV, which did not include Vietnam), represented the first significant step towards the creation of a global DMC.

"We believe that there are huge opportunities in the in-destination sector and it has become one of our key strategic growth areas for the future," he said.

"Today's agreement will fast-track our growth in this sector and establish the foundations for a global DMC that will deliver essential and valued services to travellers when they arrive at their destinations.

"In addition to adding the large and profitable Vietnam DMC to the successful JV operation, other benefits for FLT will include:

- Greater control over product offerings and customer experiences in-destination
- The ability to create new and unique products that can be sold through our global distribution channels
- The opportunity to capture a larger share of the travel wallet, as FLT has not traditionally targeted in-bound travellers during their holidays; and
- Access to other new revenue streams, with the DMC to also provide services to third party businesses, including tour operators.

"We are also delighted that TMG will maintain an equity interest because it allows us to draw on the business's proven expertise in Asia and in the DMC sector as we develop our global network."

The Asia DMC is part of FLT's expanding in-destination travel experiences network, which also includes the company's tour operating businesses, Top Deck and Back-Roads Touring.

The travel experiences businesses have been earmarked for further growth and are poised to become FLT's third major business pillar, alongside its global corporate and leisure travel businesses.

Further acquisitions and diversification are planned, with FLT previously signalling its intention to consider hotel management opportunities or joint ventures in key markets in the future.

The company, which last month completed the acquisitions of corporate travel businesses in Germany, Sweden, Denmark, Finland and Norway, has also previously outlined plans for further corporate travel acquisitions in key global markets.

Deal Structure and Background

FLT and TMG established a DMC in Asia in 2014 to provide in-destination services to in-bound travellers.

The JV now operates in 10 countries - Indonesia, Singapore, Malaysia, Thailand, Cambodia, Laos, Hong Kong, China, Japan and Myanmar - with TMG also operating the larger Buffalo Tours business in Vietnam.

Today's agreement, which is expected to formally complete within the next month, will see:

- TMG transfer the Vietnam business into the JV to create a larger Asia-based DMC. TMG will retain a 41,5% holding in the larger business
- FLT increase its holding from 49% of the current JV to 58.5% of the new business.

Agreements are in place for FLT to increase its holding further in 2018 and for TMG to invest in the global DMC offering that the companies plan to create in the short to medium term.

The deal's terms are confidential but FLT's investment in the larger business is in line with its normal acquisition multiples.

The new Asia DMC is expected to turnover about \$US70million and generate in the order of \$US5million in earnings before interest and tax during the 2017 calendar year.

New Asian Leadership Structure

FLT's DMC expansion and its growth in Asia in general has prompted a change in the company's leadership structure in the region.

Suyin Lee, previously the head of FLT's businesses in Singapore, Malaysia and the Philippines, will become Buffalo Tours managing director and will continue to be based in Singapore.

Ms Lee's promotion means David Fraser, the managing director of FLT's Greater China (Mainland China and Hong Kong) business, will now take on a broader role as head of a regional Asia leadership team that will oversee the Greater China, Singapore, Malaysia and Philippines businesses, together with the FCM Travel partner network in the region.

Rakshit Desai will continue as managing director in India.

Both Mr Fraser and Mr Desai will continue to report to Rob Flint, while Ms Lee will report to the Buffalo Tours board.

[Media & investor enquiries to Haydn Long +61418750454, haydn_long@flightcentre.com](mailto:haydn_long@flightcentre.com)