



STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE - July 7, 2017

FLIGHT CENTRE TRAVEL GROUP BEDS DOWN HOTEL AND DMC DEALS

THE Flight Centre Travel Group (FLT) has strengthened its emerging stable of in-destination travel experiences businesses.

The company today announced that it had secured separate deals to acquire:

- Olympus Tours, a leading Mexico-based destination management company (DMC); and
- Bespoke Hospitality Management Asia (BHMA), an emerging Thailand-based regional operator of design and lifestyle leisure hotels

Both businesses will be key additions to FLT's rapidly expanding in-destination travel experiences network, which is headed by Brisbane-based executive Nick Lucock.

Olympus Tours

Olympus, which operates in the key Americas markets of Mexico, the Dominican Republic and Costa Rica, will become FLT's second DMC and will operate alongside the Asia-based Buffalo Tours business.

Services provided by FLT's DMCs will include transfers, excursions and day-trips, arrangements for meetings and incentive groups and land arrangements for cruises and other tour groups.

Olympus was founded in 1994 and is now one of the largest ground handling businesses in Mexico.

The privately-owned business generated almost \$US25million in revenue during its 2016 financial year.

Revenue streams include:

- Wholesale - selling tours, transfers, day trips, excursions and group/incentive services through third party travel agencies including FLT
- In-destination sales - direct sales of tours, transfers and other products to travellers, via hotel service desks and airport representation; and
- Retail and online sales - direct sales to travellers via Olympus's travel agencies and website, which is transactable in two languages

Olympus's network includes DMC offices in the Mexican cities of Cancun, Cozumel, Riviera Maya, Puerto Vallarta and Los Cabos, plus a retail travel agency in Cancun. The business also has offices in the Dominican Republic - in Punta Cana and Puerto Plata - and expanded into Costa Rica (Liberia) in July 2016.

BHMA

BHMA's current management portfolio includes 14 properties in Bangkok, Phuket, Koh Samui, Pattaya and Chiang Mai, plus an additional 19 properties that are under development and due to open.

Properties range from individual villas and apartments to boutique hotels and resorts.

The company is taking on larger properties, including a 265-room hotel in Bangkok, and is poised to expand its footprint into Vietnam (Hoi An and Danang) during FY18.

BHMA's brands include:

- X2 (Cross To): Luxury by design - five-star hotels and resorts
- X2 Vibe: Midscale lifestyle hotels and resorts; and
- Away Resorts and Villas: Casual resorts and retreats

The business generated revenue in the order of \$US1million during FY16. Top and bottom-line results are expected to grow rapidly as properties that opened recently or are under development become operational, as BHMA's property portfolio expands and as the business gains scale.

Revenue includes a combination of pre-opening fees and royalties and fees that are payable monthly after the property opens. The ongoing fees are linked to the property's performance and include base fees (tied to gross operating revenue), incentives (tied to gross operating profit) and marketing and license fees (tied to gross room revenue).

Anthony McDonald founded BHMA in 2013 and will remain in the business, along with other key BHMA executives, as it continues its expansion throughout the Asia Pacific region.

Acquisition Rationale

In announcing the acquisitions, managing director Graham Turner said:

"Expanding our in-destination network is a key global strategy and we are starting to develop strong foundations in this sector through our tour operators, DMCs and hotel management businesses.

"Olympus is an important addition to this network and gives us a DMC in the Americas, to complement our recently expanded presence in Asia, while BHMA provides us with a low-risk entry to hotel management, a sector that we have identified as a key future growth opportunity.

"By expanding in this in-destination area, we gain:

- Greater control over the customer offerings
- The opportunity to capture additional margin through vertical integration
- 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 typically captured a large share of customers' in-destination spend; and
- Access to new external revenue streams, which include sales to other travel groups and providing DMC services to tour companies and groups."

FLT has publicly flagged its intention to expand in the DMC sector - through acquisitions and organic growth - as part of a longer term plan to develop a global DMC.

The company first secured a presence in the sector in 2014, when it established a joint venture (JV) in Asia in conjunction with Vietnam's Thien Minh Group (TMG).

The JV initially operated in 10 countries - Indonesia, Singapore, Malaysia, Thailand, Cambodia, Laos, Hong Kong, China, Japan and Myanmar - with TMG also operating a larger Buffalo Tours business in Vietnam and retaining 51% ownership of the JV.

In March 2017, FLT announced that it would acquire a larger interest in both the JV and in the Buffalo Tours Vietnam business (58.5%) as part of the broader plan to create a global DMC. In addition, agreements were put in place for FLT to increase its holding during FY18.

The company has also previously announced its intention to pursue hotel management arrangements in key markets globally and has been considering opportunities.

BHMA is the company's first investment in the accommodation sector.

"This is a logical first step into hotel management and will deliver numerous benefits," Mr Turner said.

"Through BHMA, we will gain access to:

- A hotel operating platform that is scalable globally
- A business that has been growing steadily since inception and is now taking on larger properties, which means it is aligned with our strategic aims

- Expertise, in terms of people and processes, that we can draw upon to expand our hotel management operations in Asia and into other key regions, including Australia, the South Pacific, Europe and the Americas; and
- Additional product in large and important international markets, including Thailand, which is currently BHMA's core market, and Vietnam, where hotels are set to open during FY18 and FY19

"Olympus will also deliver immediate benefits and, in the longer term, we will be able to draw on the team's proven expertise in this sector as we expand our DMC offering globally and particularly in key markets within the Americas.

"For example, we will now have a footprint for further expansion into mainland USA and Hawaii and into neighbouring markets in the Caribbean and in South and Central America."

Acquisition Details

FLT will acquire 100% of both businesses and will use company cash to fund the acquisitions, which are both expected to formally settle within the next 30 days.

The acquisition prices are confidential and not material to FLT.

The Olympus deal includes a one-off payment, which is in line with the company's normal transaction multiples, while the BHMA acquisition includes an upfront payment and possible future payments that are linked to the business's performance during FY18 and FY19.

FLT's In-destination Travel Experiences Network

FLT's in-destination network is the company's third key business unit, alongside its large leisure and corporate travel businesses, and now includes:

- The Top Deck and Back-Roads touring businesses
- The Buffalo Tours and Olympus Tours DMCs, which together generate in the order of \$US100million in revenue annually; and
- The emerging BHMA hotel management network

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*Note to analysts: FLT's in-destination businesses are part of the "Other Segment" in the company's accounts