



STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE - July 31, 2017

FLIGHT CENTRE TRAVEL GROUP FAST-TRACKS NZ GROWTH

THE Flight Centre Travel Group (FLT) has moved to increase its leisure and corporate travel market-share in New Zealand.

The company today announced that it had agreed to acquire two leading businesses:

- Travel Managers Group (TMG), a predominantly leisure-focused group that provides systems and support services to a network of more than 180 individual brokers. TMG also operates a 22-shop franchise network, which includes 12 TravelSmart shops and 10 non-branded stores; and
- Executive Travel Group (ETG), New Zealand's largest independent corporate travel management company

The addition of ETG consolidates FLT's position as one of New Zealand's largest corporate travel management companies, while the TMG acquisition will give FLT a strong broker and franchise network to complement its omni-channel leisure offerings.

Acquisition Rationale

FLT managing director Graham Turner said the acquisitions would strengthen FLT's New Zealand operation, which was now the company's fifth largest business globally by sales behind Australia, the USA, the UK and Canada.

"Executive Travel and Travel Managers are profitable businesses, generating earnings before interest, tax, depreciation and amortisation in excess of \$NZ3million annually, with solid growth trajectories and good track records of success," he said.

"With their addition, Flight Centre New Zealand will go close to becoming a \$NZ1.5billion-per-year sales company during the 2018 fiscal year (FY18).

"ETG will enhance our already strong corporate travel offering in New Zealand and will give the business additional scale and expertise.

"Through TMG, we will gain access to new business models and leisure revenue streams to complement our offerings across our other key channels, which include online, contact centres, our community and flagship shop network and our expo and event program."

FLT has previously flagged its intention to expand in the broker or home-based sector within its key travel markets globally as part of its ongoing leisure travel improvement strategies.

TMG is the company's first acquisition in the sector. Further expansion is planned via a combination of acquisitions in some countries and organic growth.

"The home-based or broker offering has strong growth potential and is attractive to us for a number of reasons," Mr Turner said.

"In short, it will deliver:

- Access to a talent pool of highly experienced travel experts in a growing segment of the market
- Greater flexibility and new career opportunities for our sales people
- Added convenience for our customers, which is line with our strategy of making it easy for customers to buy from and interact with our brands
- Greater efficiencies, as the home-based or broker model has a lower cost base than a traditional shop; and
- New distribution channels for our manufactured products, which includes a rapidly expanding range of unique airfares, packages and in-destination offerings

"We look forward to working together with TMG to deliver exciting new opportunities, services, benefits and products to its network of expert sales consultants and their customers."

About TMG and ETG

TMG was established in 2002 and generated about \$NZ120million in total transaction value (TTV) during its 2017 year.

ETG was established in 1978 and generated about \$NZ60million in TTV during the 2016 calendar year.

Both businesses were privately owned, with former FLT New Zealand employee Kevin Weston co-owning ETG and being a major shareholder in TMG.

Mr Weston and his business partners, Nicola Jamieson and Dave Wallace, will continue to oversee both businesses' day-to-day operations and will report to FLT New Zealand managing director David Coombes.

"With the combination of FLT's greater technology and product offering and TMG and ETG's expertise in the broker, leisure and corporate models, this new partnership is an exciting strategic move," Mr Weston said.

"We look forward to working in the business and seeing it develop and evolve. We know that through this partnership TMG and ETG will become even stronger businesses and help support FLT's continual market share growth, providing a bright future for all stakeholders."

Acquisition Details

FLT has agreed to acquire 100% of both businesses and will use company cash to fund the acquisitions.

The acquisition prices have not been disclosed but are in line with FLT's normal transaction multiples.

In addition to an upfront payment, the ETG deal includes additional performance-related payments that the owners will be entitled to if the business achieves future profit-related targets.

The deals are expected to formally settle during the first quarter of FY18.

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