STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE - August 24, 2017

FLIGHT CENTRE TRAVEL GROUP OUTLINES FY17 RESULTS

AND NEW BUSINESS TRANSFORMATION PROGRAM

THE Flight Centre Travel Group (FLT) has released audited 2017 fiscal year (FY17) results, highlighted by record sales and accelerated second half (2H) top and bottom-line growth.

FLT has also unveiled its business transformation program, which was introduced late in the 2H to fast-track revenue growth, deliver new efficiencies and contain costs globally.

Benefits are expected over three to five years and various high level goals are now in place.

These goals, which will be monitored and amended as FLT finetunes its strategies, as market conditions change and as the company's business mix shifts, currently include:

- 7% average total transaction value (TTV) growth per annum in constant currency over the next three years
- Stronger returns from FLT's existing network through scalable and profitable growth, tight cost control and the removal of all current loss-making businesses; and
- A return to a 2% net margin - profit before tax (PBT) as a percentage of TTV - within three to five years. A 2% net margin during FY17 (Actual: 1.64%) would have delivered a $402million PBT

While this transformation program is in its infancy, significant progress is already being made and some benefits are expected during FY18, when FLT aims to build on the solid profit growth and sales momentum achieved during the 2H to improve top and bottom-line results.

In addition to outlining its high-level transformation goals today, FLT will continue to provide annual guidance and will release FY18 targets at its Annual General Meeting in November.

FY17 Result Overview

FLT achieved a $329.5million underlying PBT during FY17, excluding the one-off $4.1million loss incurred on exiting the Employment Office investment during the 1H.

The underlying result was:

- At the top of FLT's revised FY17 guidance ($300million-$330million); and
- Within the range that FLT initially targeted ($320million-$355million)

This initial guidance, which was issued in November 2016, was subsequently amended after challenging 1H trading conditions slowed top and bottom-line growth during the period.

Underlying 2H PBT increased 4.7% - after a 22.4% 1H decrease - to finish 6.5% lower than the $352.4million underlying PBT achieved in superior trading conditions during FY16.

Over the full year, statutory PBT was $325.4million, 5.7% lower than during FY16.

Factors that adversely affected FY17 results included:

- Significant airfare deflation in key markets. This low-fare environment started to normalise in Australia during the 2H as FLT started to track against similar low fares
- Currency fluctuations, which affected overseas result translation into Australian dollars and led to losses on some forward exchange contracts (FECs)
- Political uncertainly, which contributed to soft first quarter trading globally; and
- Underperformance in Asia, the Middle East and the UK-based touring businesses

Despite these challenges, TTV reached a record $20.1billion and topped the $19.3billion sales milestone achieved in FY16 by $804million or 4%.

At like-for-like exchange rates, FY17 TTV would have increased 7% compared to FY16.

Revenue increased marginally (up 1.4%) to $2.7billion, which led to an underlying 13.3% income margin (FY16: 13.6%).

This income margin reduction was largely driven by business mix changes, specifically:

- Corporate travel growth - the company won a number of large and high profile accounts in Australia that are lower touch and trade on lower income margins; and
- Strong growth in e-commerce, which is weighted towards simple and lower margin airfare transactions

The Travel Money FX business, which delivered more than $1billion in TTV in Australia during FY17, also has a lower income margin than FLT's overall business.

Other key financial achievements included:

- Lower underlying expense growth as FLT focussed on productivity, its key global strategy, and slowed overall network growth
- Continued balance sheet strength, highlighted by a $474.3million positive net debt position at year-end (Almost $530.2million in company cash and investments minus $55.9million in debt)
- A $295.4million operating cash inflow over the year; and

- A $140.4million shareholder return ($1.39 per share fully franked), via the 45 cents interim dividend and the 94 cents final dividend that was declared today

While sales growth and global profits were predominantly generated organically, seven small acquisitions were completed during FY17, as summarised in the accompanying table.

Since year-end, FLT has also acquired or agreed to acquire:

- BHMA, a hotel management group with 14 Thailand properties and another 19 in Thailand and Vietnam in the pipeline
- Olympus Tours, a Mexico-based Destination Management Company (DMC) that will operate alongside Asia's Buffalo Tours as a key part of the Travel Experiences Network (TEN), which is now FLT's third core business pillar
- New Zealand's Travel Managers Group and the Sydney-based Travel Partners Group, businesses with strong home-based or independent contractor networks
- New Zealand corporate business Executive Travel; and
- Les Voyages Laurier du Vallon (LDV), a Quebec-based company with leisure, corporate and Meetings, Incentives, Conferences and Events (MICE) businesses

Segmented Results and Result Drivers

In releasing FLT's FY17 accounts, managing director Graham Turner said key result drivers included:

- Solid sales growth, particularly in corporate travel, in each of the company's four major geographic regions
- Record US profit and in the UK in local currency (LC), strong earnings growth in Canada, South Africa and Mainland China and 2H recovery in Australia and New Zealand, with both businesses surpassing their prior corresponding period (PCP) profit contributions
- Accelerated 2H growth globally, which saw PBT increase by 4.7%, TTV increase 6.4% and net margin improve to 2% during the period; and
- Successful execution of key strategies, particularly productivity and online sales growth, with FLT achieving its target of exceeding $1billion in online leisure TTV

"In a challenging trading cycle, characterised by record low airfares, we achieved our major sales targets of topping $20billion in TTV for the first time and growing online leisure TTV beyond $1billion," Mr Turner said.

"FLT has now delivered 21 years of TTV growth in 22 years as a listed entity, a statistic that highlights its diversity, the strength of its continuously evolving omni-channel network and its ability to change strategic direction and target new growth opportunities.

"While underlying profit was within guidance, it was towards the lower end of the range that we initially targeted, largely because of the tough 1H globally. During the 2H, profits surpassed the prior year and TTV growth accelerated, which is a positive sign for FY18.

"We also successfully executed our key global strategies, which included increasing consultant productivity and developing further growth platforms across our three core business sectors of leisure travel, corporate travel and the TEN.

"This means that, in addition to starting FY18 with stronger momentum, we have also started the new year with stronger foundations."

In Australia/New Zealand, sales increased in both leisure and corporate travel, with the company achieving record air volumes and record room nights.

The Australian and New Zealand corporate businesses benefitted from a strong year of account wins, coupled with a concerted focus on client retention, and together grew top and bottom-line results in a relatively subdued trading climate. Corporate TTV across Australia and New Zealand reached $2.6billion.

Australian leisure profits decreased slightly, with international airfare deflation impacting results and preventing FLT from fully benefiting from the strong volume growth it recorded.

FLT's international ticket sales in Australia increased 10.5% during FY17 and comfortably outpaced the 4.1% outbound travel growth rate (Source: Australian Bureau of Statistics).

The Americas businesses generated about 10% of total FY17 profit, thanks to the record US profit, Canada's strong turnaround and a small profit from the Mexico corporate business.

FLT's Canada and US corporate businesses again performed strongly, with US corporate TTV topping $US1billion for the first time.

In leisure travel, StudentUniverse, FLT's first foray into the US youth and online sectors, delivered strong growth in its first full year.

The business generated about $AU420million in TTV, including $AU391million in the USA, in addition to delivering digital expertise that is now being utilised throughout the company to help FLT develop scalable multiproduct platforms, boost mobile services, surface unique content and improve conversion and enquiry,

Leisure and wholesale losses in Canada and elsewhere in the US decreased slightly as the company successfully improved productivity across a smaller shop network.

The Europe, Middle East and Africa (EMEA) operation generated almost 20% of group profit, despite the currency movements which impacted the large UK business's profit translation.

Although the UK business delivered a record GBP27.6million PBT, about 9% higher in LC than FY16, the FY17 result translated to a $AU46.3million profit, 10% lower than the $51.5million PBT achieved during FY16.

The South Africa business, which expanded into Namibia, topped its FY16 results, while the UAE business made a reduced profit contribution.

After a year of significant expansion on Continental Europe through acquisitions in key corporate hubs, FLT now has an equity presence in 10 European countries - the UK, Ireland, Holland, Germany, Sweden, Denmark, Finland, Norway, France and Switzerland.

In Asia, the company recorded solid sales growth and comfortably surpassed the $1billion TTV barrier for the first time. The region achieved a small loss, with profit on Mainland China offset by modest losses in Singapore/Malaysia, India and Hong Kong.

Within this region, the company developed the foundations for stronger future growth by:

- Merging its Singapore and Hong Kong-based management teams to create a regional team to oversee the Singapore, Malaysia and Greater China businesses
- Pivoting the loss making Hong Kong and Singapore leisure businesses (see Transformation section); and
- The Travel Tours and Sunny acquisitions (outlined in the accompanying table)

Within the TEN, tour operators Top Deck and Back-Roads, which together contributed about $9million to FY16 PBT, lost $1million during FY17. Contributing factors included operational issues within Top Deck, which have now been rectified, adverse FX impacts on result translation and FEC losses, following the British pound's rapid depreciation during the year.

DMC Buffalo Tours performed strongly and has now been expanded, with the Buffalo Tours Vietnam business added to it and FLT recently increasing its ownership of the overall business from 49% to 58.5%.

Strategic Update

The company is successfully executing its key global strategies, which include enhancing productivity in the short-term.

TTV per person, FLT's productivity metric, increased globally and within each of its key divisions during FY17 as the benefits of previous strategic investments were realised.

Longer term plans are also gaining momentum and delivering growth in three key sectors:

1. Leisure travel retailing, which is comfortably FLT's largest sector by sales globally
2. Corporate travel, which now accounts for a third of the company's overall business
3. The TEN, a new and rapidly expanding business pillar that feeds directly from the company's leisure and corporate distribution networks

In the leisure sector, FLT has developed a strong omni-channel offering which allows customers to transact and interact with the company's brands when and how they want.

Key channels include:

- Lower cost, lower touch online and 24/7 contact centre offerings
- Flagship stores in CBDs and super regional shopping centres and smaller community shops; and
- High-touch channels, specifically travel expos, specialist teams targeting high growth sectors (cruise, first and business class, groups and small corporate accounts) and independent contractor offerings

Online leisure sales are increasing strongly as FLT improves its e-commerce capabilities and develops its stable of brands, apps and blended offerings, while continuing to develop a strong pipeline of enquiry that originates online but transacts via other channels.

Key brands include StudentUniverse, flightcentre.com.au, which is growing strongly and BYOJet, which is now in Australia, New Zealand, Singapore and the UK.

Within the Australian shop network, flagships and specialist teams are expected to drive shop-based TTV growth in the short to medium-term, with profit improvement, rather than physical expansion, the primary focus within the community shop network.

FLT's recent investment in independent contractor businesses in Australia (Travel Partners) and New Zealand (Travel Managers) has delivered stronger growth platforms in an emerging leisure sector. These businesses, which will continue to be run independently, have lower cost bases than traditional shops, given the different commission and occupancy models.

Across the leisure sector, FLT's expanding manufactured product portfolio continues to prove popular, with several unique ranges now entrenched as multi-million dollar per year product lines.

In addition to the private airfares that FLT has exclusive access to, these products include:

- Journeys and Escapes, package ranges which generated more than $150million in TTV in Australia during FY17, plus an additional GBP55million in the UK

- Flight Centre brand's popular Captain's Airfare Packages, which deliver value added bonuses to customers who choose to add them on to airfare deals; and
- GET LUXE, a voucher-style range that has just been introduced in Australia. These products are offered in conjunction with Ignite, an FY17 acquisition, and include exclusively sourced flights, accommodation and bonuses (Luxe Ups)

In corporate travel, FLT has continued to consolidate its position as one of the world's largest and most successful travel management companies.

During FY17, the corporate travel brands generated $6.6billion in TTV globally, an 8.7% increase on a constant currency basis, with all regions recording solid growth in LC.

Strong foundations for future growth were also established through ongoing technology enhancements, which have given customers access to a leading suite of tools and systems, and geographic expansion into key corporate markets. The business has now entered 12 new countries in the past three years, through outright ownership or equity investments, more than doubling its geographic footprint.

At the same time as it has rapidly extended its global corporate travel reach, FLT has created the TEN as its third major business pillar by investing in tour operators, DMCs and hotel management businesses.

These investments are expected to create benefits that are aligned to FLT's strategic objectives, including greater control over the customer experience, the ability to create unique products to sell via FLT's global sales network and margin and revenue opportunities through vertical integration and external B2B and B2C sales of the in-destination products.

Business Transformation Program

In addition to executing its key strategies during FY17, FLT launched its business transformation program to unlock further future value.

A specialist team, led by chief operating officer Melanie Waters-Ryan and with senior representation in the areas of IT, M&A, e-commerce, air, land and finance, has been formed to oversee the key initiatives.

These initiatives focus on:

- Digital commerce growth, with FLT targeting a further 30% growth in online leisure sales globally this year
- Investment in growth brands and business models in leisure and corporate travel
- Globalising the air, land and IT businesses; and

- Reducing cost growth and improving network efficiency

FLT has already taken steps to improve network performance by growing productive new models, which include e-commerce and independent contractor offerings, and pivoting or closing some loss making businesses.

These include:

- The Canada leisure business, which now has a smaller shop network backed by an expanding network of independent contractors
- US-based wholesaler GOGO, which was downsized during FY17
- Leisure in Singapore and Hong Kong, with FLT pivoting from a shop model to a "direct" (phone and email) offering, backed by a flagship location. Various Singapore ancillary businesses have also closed
- Student Flights in South Africa and New Zealand, where the brand has been integrated into Flight Centre as a product line
- SME specialist Corporate Traveller in parts of both Europe and Asia, where the FCM brand will be the primary focus; and
- Travel Money in the USA, which has also been closed

Within three years, the company aims for every brand in every country to be materially profitable, with all underperforming business models to pivot or be divested or closed.

In Australia, significant changes are unlikely in the short-term, given the high profitability levels, although some shops will close and teams will move to better locations. A small number of shops with sub-standard profit and sales histories are also being filtered to ensure they meet key performance metrics, with a view to either improving results or closure.

Costs

As part of its longer term strategic evolution, FLT has invested significantly in systems, platforms and in growth initiatives that should drive future returns.

These investments contributed to underlying cost growth in the order of $150million per year on average between FY07 and FY16. Underlying cost growth accelerated between FY14 and FY16, increasing by $655million over three years, but started to moderate during FY17.

While further cost increases are inevitable, given FLT's person-to-person focus, the company is initiating strategies to curb future growth including:

- Lowering occupancy costs through better negotiations, slower network growth and, where appropriate, reducing the number of physical sites. FLT will also proactively relocate teams if lease terms are unacceptable

- Growth in lower cost models
- Outsourcing some functions to lower cost centres, as FLT has done in Indonesia and the Philippines, and increasing productivity via system enhancements; and
- Streamlining head office support structures, which has already led to a number of support roles in Australia and within FLT's Global businesses being made redundant

During FY18, the company aims to hold underlying cost growth below $100million.

Network growth (sales teams and sales consultants) is expected to be fairly modest as FLT continues to focus on productivity. In Australia, consultant numbers will decrease through natural attrition during the 1H, as the company rolls-out new in-store systems and focuses on implementation and training, before upstaffing during the 2H.

Outlook

After growing top and bottom-line results during the FY17 2H, FLT has started the new fiscal year with solid momentum, which should lead to reasonable first quarter growth.

The FY17 first quarter was, however, a subdued period as a result of the US and Australian elections and the UK's Brexit referendum in June 2016, which led to the Pound's significant devaluation. Airfare deflation also impacted 1H FY17 growth, as outlined previously.

In terms of airfare pricing during FY18, FLT currently expects a more normal environment, with modest fare decreases or increases, rather than steep discounting across the board.

Other FY18 growth opportunities include:

- Improved leisure results, as FLT expands into new and highly scalable sectors and continues to reduce leisure losses in parts of the Americas and Asia
- Ongoing corporate market-share growth globally, as FLT continues to win and retain accounts across multiple sectors and expands into important new markets. The corporate business's strong product suite, which complements its people offering, is also leading to rapid growth in auto-fulfilled (touch-less) transactions. This will allow FLT to grow corporate TTV without substantially growing costs
- A stronger contribution from the TEN, as touring results rebound and as the new acquisitions are integrated; and
- A small contribution from recent acquisitions

"We believe we are well placed to improve, given the investments we have made, the strategies that have been implemented and the benefits that we have started to see from the transformation program," Mr Turner said.

"Accordingly, we will be disappointed if we don't grow sales and profits globally during FY18 as we work towards achieving the high level, medium-term goals that we are targeting."

While top and bottom-line growth is expected during FY18, FLT believes it is too early to gauge likely trading conditions and to provide specific guidance for the current year. As announced previously, the company will provide a further update on its FY18 expectations at its Annual General Meeting in November.

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Note to investors and analysts: FLT will host a conference call for investors and analysts from 10.30am today (August 24). Dial +61 2 80385221 (Conference ID: 70187037)

Acquisition	Strategic Rationale
Ignite (49%)	Voucher model in growth sector selling unique products direct & via shops
Sunny	Access to new sectors on Mainland China (world's 2nd largest aviation market)
Buffalo Tours (58.5%)	Asia-based Destination Management Company (DMC) (FLT previously owned 49% of a smaller joint venture business)
Travel Tours	Stronger presence in FX, the MICE sector & in leisure, corporate & wholesale travel, plus stronger India leadership team
Nordics & Germany	Market entry - Germany, Sweden, Norway, Finland, Denmark (corporate)
3Mundi (25%)	Market entry - France, Switzerland (corporate) - with tech capabilities
Bibam (24.1%)	Market entry - Argentina (corporate) - with e-commerce & tech capabilities