

21 February 2018

ABN 49 109 078 257. ACN 109 078 257

SEALINK TRAVEL GROUP ANNOUNCES INTERIM RESULT FOR HALF YEAR ENDED 31 DECEMBER 2017

Highlights

Financial

- Net Profit After Tax of \$11.3m, on total income of \$100.8m
- Sales & EBIT were lower due to:
 - Closure of our Sydney Travel Agency:
 - Weaker trading conditions in our Swan River WA services,
 - New service start-up costs on Sydney Harbour and to Rottnest Island, and
 - Lower customer requirements in Gladstone:
- Positive improvements in trading include:
 - Improved margins and growing sales for Captain Cook Cruises Sydney lunch and dinner cruises,
 - Higher returns from the PS Murray Princess through improved occupancy and margin,
 - Continued sales and margin growth in South Australia, SE Queensland and Townsville, and
 - Strong tourism demand, with exciting new sales growth opportunities under way in all markets through our newly implemented sales and marketing structure.
- Strong Net Operating Cashflow of \$17.7m.
- Given start-up costs of our new services and the operating performance of the Western Australian business, we anticipate our underlying (pre-Kingfisher Bay Resort Group) net profit after tax for the second half 2018 to be in line with the same period last year.
- Interim dividend per share of 6.5 cents up 8.3%, reflecting the Company's confidence in execution of exciting growth opportunities on a stable cost base.

Operational

- The acquisition announced today of Kingfisher Bay Resort Group on Fraser Island - a great addition to our unparalleled connections to iconic Australian destinations. The acquisition includes the two resorts on the Island, coach touring business and ferry operations.
- Successful commencement of two new services (Manly to Barangaroo, NSW and Fremantle to Rottnest Island, WA).
- Commencement of construction of two more "Tubby Class" commuter ferries for Sydney Harbour.
- Completion of major out of water maintenance on a number of our larger vessels – *PS Murray Princess*, *MV Bruce*, *MV Captain Cook III*, *MV Minjerribah* and *MV Sealion 2000*.
- Newly acquired vessel *MV Nancy Wake* commenced operation in Sydney in December 2017.
- Purchase of two new Scania coaches for South Australian touring operations.
- Positioned for Growth.

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Summary

SeaLink Travel Group (ASX: SLK) (“SeaLink” or “the Company”) today announced Net Profit After Tax (NPAT) of \$11.3m for the half year ended 31 December 2017 (1H FY18), representing a decrease of 13.7% on NPAT of \$13.1m for the half year ended 31 December 2016 (1H FY17).

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) were \$23.8m in 1H FY18, compared with an EBITDA of \$26.7m for 1H FY17.

The Board has declared a fully franked interim dividend of 6.5 cents per share, payable on 20 April 2018, which is an increase of 8.3% on the previous interim dividend. The Board has great confidence in the future of the Company.

Revenue fell 4.7% to \$100.8m in 1H FY18 from \$105.8m in 1H FY17, which was attributable to changes in customer business operations, encompassing the first half-year of Gladstone operations that was entirely in the operational, post-LNG plant construction phase; the planned closure of the NSW Travel Centre; lower charter revenue in Sydney through the anticipated non-continuation of 1H FY17’s Tonga charter; and the longer than expected (now completed) refurbishment of the *MV Captain Cook III*.

Managing Director Jeff Ellison said “The first half of 2018 was one of continued innovation and expansion of our product offerings to iconic Australian destinations, with the dominant hospitality, touring and marine transport operation on Fraser Island soon to be added”.

“Over the past decade we have built an unparalleled offering of services to many of Australia’s most wondrous marine destinations. Our key focus going forward, through our new international and domestic sales structure, is to create sustainable and significant sales growth opportunities for our operations.

“Despite the impact of subdued trading conditions for our lunch and dining operations in Perth, we are fully focused on improving demand in an environment of opportunities in Perth such as the new stadium, and soon-to-commence direct flights from Europe and Asia. Signs of an improvement are emerging, with evidence of an increase in forward sales.

“Today’s announcement of the acquisition of Kingfisher Bay Resort Group, World Heritage-listed Fraser Island’s dominant hospitality, touring and marine transport operator, is in perfect alignment with our strategy.” Mr Ellison said.

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Divisional Results

SeaLink South Australia

The business unit had a solid first half where revenue increased by 5.5% from 1H FY17 to \$33.7m after excluding revenue associated with our Sydney Travel Centre which was closed on 30 June 2017. As a result of higher ferry sales, improved contributions from the *PS Murray Princess*, and Kangaroo Island based tours, EBITDA increased by 8.7% to \$10.0m in 1H FY18 (1H FY17 \$9.2m).

Passenger and vehicle numbers to Kangaroo Island showed good growth for the half and resulted in an increase in revenue of 9.1%.

PS Murray Princess sales achieved continued growth increasing by 8.9%. Contribution improved due to higher occupancy and cabin yield as a result of the ongoing success of marketing strategies including themed cruises. Phase 1 of the air-conditioning upgrade works for the vessel was also completed during the period.

Vessel repairs and maintenance expenditure was \$0.4m higher than the same period last year due to major scheduled maintenance works on both Kangaroo Island vessels and the *PS Murray Princess*.

SeaLink SA continued to invest in its vehicle fleet with two new 53-seat Scania coaches purchased for Kangaroo Island and Adelaide Day Tours.

SeaLink continued to discuss opportunities to extend its licence agreement with the South Australian Government on a mutually beneficial basis.

Captain Cook Cruises

Revenue for 1H FY18 increased by 2.3% from 1H FY17 as a result of steadily growing tourism demand and the introduction of two new ferry services Manly to Barangaroo (September 17) and Fremantle to Rottnest Island (November 17), offset by an 8.0% decline in revenue from our Perth Swan River lunch and dinner cruise business.

The decrease in EBITDA to \$2.6m in 1H FY18 (1H FY17 \$4.5m) was primarily attributable to:

- start-up costs and initial trading losses associated with two new ferry services; and
- subdued trading conditions in Western Australia for the traditional lunch and dinner cruise business.

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Captain Cook Cruises New South Wales

In Sydney, overall sales increased by 3.8% compared with the first half of last year. Growth continued to come from lunch and dining cruises which saw an increase in sales of 4.0% and an improvement in gross margin of 2.9% following the ongoing success of promoting a higher quality premium dining product to domestic and international markets. Although demand from Japan was softer than last year and the boost from the UK Ashes tour was below expectations, domestic and USA demand was very pleasing.

Sightseeing and Coffee Cruises performed well and in line with expectations with good demand from Asian travellers for this product.

Sydney charter sales decreased by \$1.0m primarily due to the three month dry-lease charter to Tonga in the prior year not being repeated.

The *MV Captain Cook III* underwent a major refurbishment and upgrade to position her for additional charter and dining work over the next 10 years. There were some lost opportunities while the vessel was unavailable from September 2017 to November 2017.

Turnover from the Hop-on Hop-off (HOHO) and fixed route ferry services increased due to the introduction of the new Manly to Barangaroo service and increase passenger demand for HOHO services. Patronage continues to grow satisfactorily and it is now anticipated to reach positive returns by mid-2018, slightly behind original forecasts. In addition, technical delays in being able to integrate our services to the Opal Pay system until 31 January 2018 has meant the revenue benefits of this innovation were not gained for this and other services in the half year. We are seeing a pleasing customer response to and up take of the introduction of Opal Pay on our services.

In December 2017, the *MV Nancy Wake* commenced operating on the Harbour and is performing well. The construction of two additional "Tubby-class" commuter ferries commenced and these vessels are expected to be operational by June 2018, operating new services to popular destinations in Sydney's Bays precinct.

Patronage on the Watson Bay ferry service, which operates into and out of Circular Quay has continued to grow. A new service from the International Convention Centre to Circular Quay commenced during the period but take up was lower than expected given the delays with Opal Pay. It is experiencing improved patronage since the introduction of Opal Pay in January 2018.

Captain Cook Cruises Western Australia

In Western Australia, the traditional Captain Cook Cruises business has traded well below expectations due to subdued economic and trading conditions in WA. As such, revenue was 8.0% below last year primarily in lunch and dinner cruises and charter. Coupled with the start-up costs and initial trading losses from the new Rottnest Island service the operations made a net loss during the period. Patronage and trading performance for the Rottnest Island service has been encouraging, and this operation is now trading profitably.

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SeaLink Queensland and Northern Territory

This business unit's EBITDA contribution decreased to \$14.2m in 1H FY18 (1H FY17 \$15.4m), with EBITDA margins improving from 34% to 36%. The margin expansion reflects the operating leverage impact of increased sales from our South-East Queensland and Townsville operations.

The operating performance of the Gladstone and South-East Queensland operations remains satisfactorily higher than our original estimate of maintainable earnings at the time of acquisition in 2015.

The \$5.9m reduction in sales for Queensland and Northern Territory to \$39.4m was primarily attributable to the Gladstone operations. The prior year period included three months of higher construction phase earnings. Gladstone revenue in the current reporting period reduced by \$7.2 million as a result of this and lower customer requirements.

The Stradbroke Island operations have continued to trade well and has seen an increase in revenue of 4.5% for the same period last year as a result of increased patronage. The Southern Moreton Bay Islands continue to experience residential building growth and this has resulted in an increase in commercial traffic on our vehicle ferries.

Sales from our Townsville and Northern Territory operations increased by 8.8% in 1H FY18 from 1H FY17, with the business contribution increasing by 16.6%. Charter income continued to show positive improvement, increasing by 20.8% reflecting further penetration in the cruise ship market.

Outlook

SeaLink's strategy of creating a strong geographic diversified tourism and transport operator to iconic tourism destinations, with solid commuter markets, positions it well for sustainable earnings and growth. We anticipate that SeaLink's strong profit leverage as a result of sales growth in core tourism locations will create further opportunities to improve margins in 2019.

Forward sales in all tourism markets are encouraging, and patronage on our new ferry services continues to build satisfactorily. We are confident that our newly structured national and international sales and marketing team will create significant sales growth opportunities in the future.

We are pleased with our disciplined cost base, which we anticipate will enable SeaLink to build margin growth in a normal operating environment, and we are continuing to actively pursue value-accretive acquisition opportunities that have a strong strategic fit.

Given start-up costs of our new services and the operating performance of the Western Australian business, we anticipate our underlying (pre-Kingfisher Bay Resort Group) net profit after tax for the second half 2018 to be in line with the same period last year.

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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 more than 1,200 staff across the country servicing eight million customers annually with a vessel fleet of 75 and coach fleet of 30, 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, which includes:

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

SeaLink listed on the Australian Securities Exchange in October 2013 (ASX:SLK).