

# FY18 FULL YEAR RESULT Flight Centre Travel Group

ASX:FLT | August 23, 2018

**FLIGHT**  
**CENTRE**  
TRAVEL GROUP™

# AGENDA

Results & Highlights



**Adam  
Campbell**

*CFO*

Transformation



**Melanie  
Waters-Ryan**

*COO*

*Outlook*



**Graham  
"Skroo" Turner**

*CEO*

# Results & Highlights: New Milestones Established

Record TTV of  
\$21.8b

Up 8.5% & \$1.7b higher than previous record (FY17)

Represents almost \$60m in TTV on average every day

Record Profit  
\$384.7m  
(underlying)

Near top of upgraded guidance & \$55m above FY17 result

16.8% year-on-year growth & 2% above previous record (FY14)

Record  
Shareholder  
Returns

\$1.67 in fully franked dividends per share

14% EPS growth

# Results & Highlights: Key Drivers

## Successfully Executing BT Strategies

Dealing with  
problem areas

Loss-making businesses removed, downsized or pivoted

USA & Canada leisure profits for 1<sup>st</sup> time since FY12 & FY11 respectively

Globalisation

Profit growth driven by overseas businesses – particularly EMEA & Americas

Investigating further global synergies in air, land & IT areas

Costs & Efficiency

Slowing overall cost growth & lowering cost margins, improving productivity

All BT costs recorded as business as usual

# Results & Highlights: Successfully Executing Key Strategies

## Early Progress Towards Transformation Targets

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**Goal:**

7% per annum TTV growth on average in constant currency through to FY22

**FY18 Outcome:**

Tracking above target - circa 8.5% growth achieved

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**Goal:**

Return to 2% full year net margin by FY22 (subject to mix)

**FY18 Outcome:**

Solid progress – 12bps improvement to 1.76%

100

**Goal:**

<\$100m in underlying\* cost growth during FY18

**FY18 Outcome:**

Target achieved – circa \$90m growth

*Medium-term transformation goals are subject to review as FLT fine tunes strategies & as business mix changes. FLT will continue to provide separate annual guidance.*

\*Excludes touring costs, which were previously netted against revenue

# Results & Highlights: Key Drivers - Margins

## Income Margin

25bps decrease – decrease was expected & driven largely by ongoing business mix changes

Reflects rapid growth in lower revenue margin businesses – multi-national corporate (FCM), FX (Travel Money), leisure OTAs

## Cost Margin

50bps improvement to 11.2%\* during FY18 – best result since FY07

More than offsetting the income margin decrease

## Net Margin

12 bps improvement

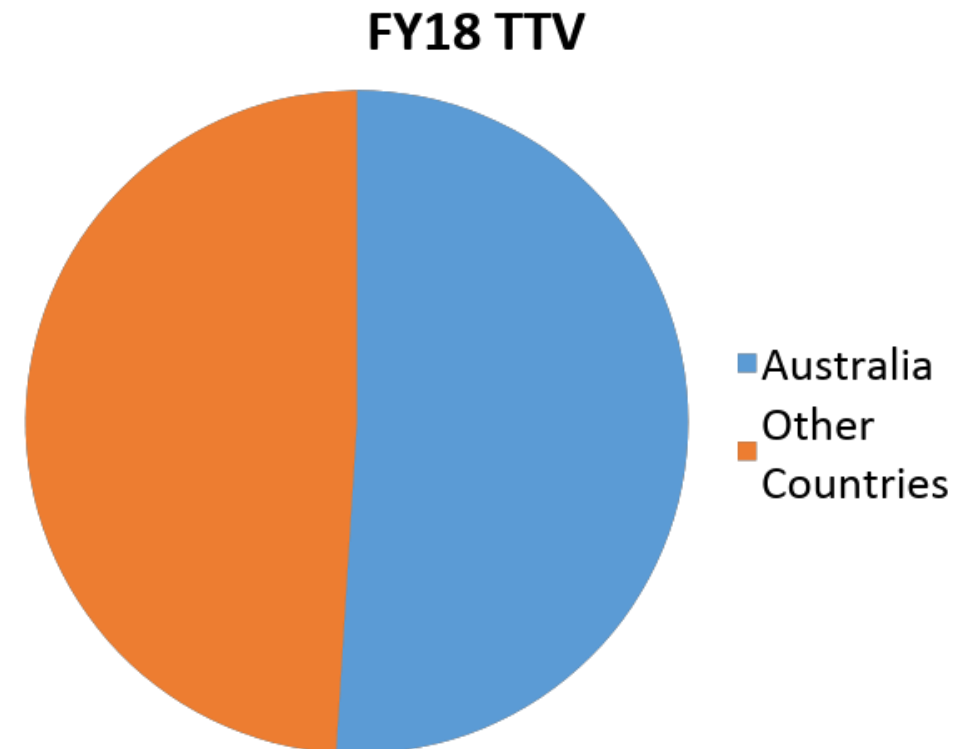
Driven by turnaround in loss-making businesses, growth from businesses that were historically modestly profitable & lower cost growth

\*Excludes touring cost of sales

# Results & Highlights: Geographic Diversity

Record TTV  
achieved in all  
geographical  
segments & in all  
countries

49% of TTV Generated Offshore



# Results & Highlights: Geographic Diversity

## New Record Profits

- USA
- Canada
- Mexico

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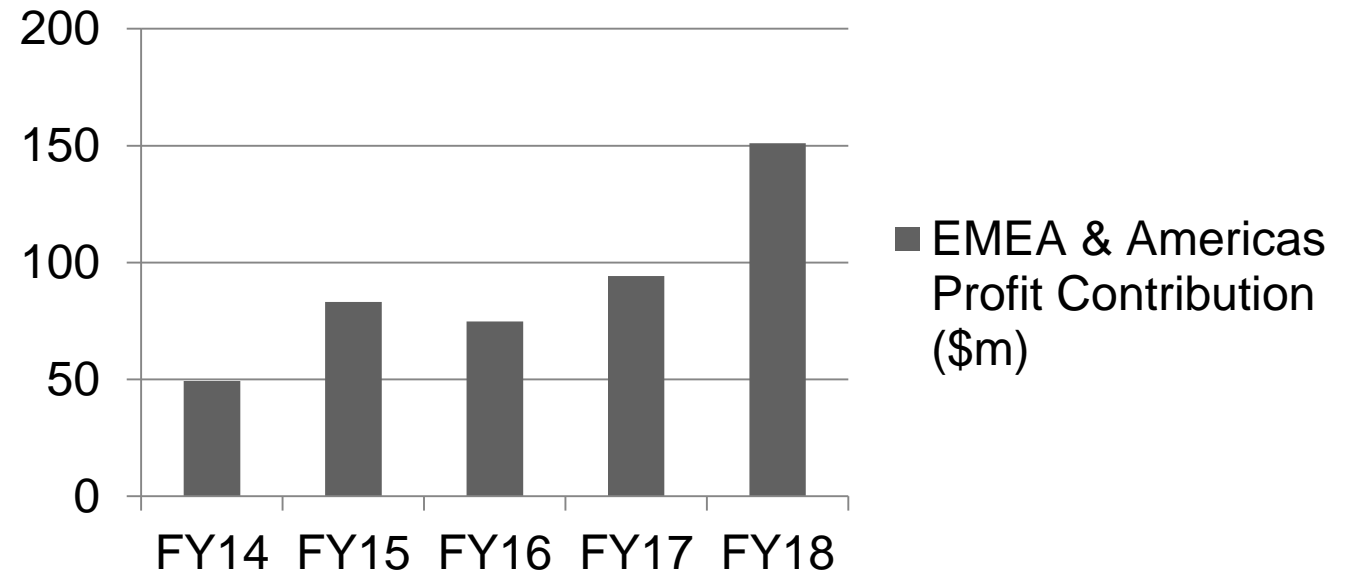
- United Kingdom (UK)
- South Africa (RSA)
- United Arab Emirates (UAE)
- Netherlands

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- Singapore
- Malaysia

## EMEA & Americas Driving Profit Growth

\$151m FY18 Profit Contribution





# Results & Highlights: Building For The Future

## Stronger IT Backbone

- New in-store systems (GDS) now fully deployed after Australia & NZ FY18 roll-out
- PCI, GDPR
- New finance platform being deployed – Americas roll-out underway, Australia roll-out set to begin late in FY19

## Leisure Network

- Rebrand & Grow R&G) plan completed in Australia – 1200 sales people across 250 shops redeployed during 2H
- Home-based agency acquisitions (Australia, NZ), USA start-up
- Stronger digital platforms, lead management technology, new websites, mobile apps and services

## Corporate Network

- FCM technology suite consolidated & relaunched as FCM Connect
- Small acquisitions in Canada & NZ plus investment in Germany start-up
- New products – Sam (AI app), Your CT (SME portal), Lumo (predicts flight delays for customers)

## New Business Verticals

- Hotel management business acquired (BHMA), Americas-based DMC (Olympus)
- FC Exclusives (voucher model) just launched in Australia

# FY18 Results: P&L

- Record TTV achieved – overall & in all countries
- Record revenue but at a lower growth rate (as expected) – leading to 25bps income margin decrease
- Decrease brought about largely by business mix changes – circa 30% of TTV now coming from lower income margin businesses
- Leisure OTA, multi-national corporate (FCM) & FX businesses (Travel Money Australia, New Zealand & India) growing solidly at a combined 7.3% income margin
- FY17 restated to show tour operating revenue & expenses gross (previously shown nett in revenue)
- Successfully controlling cost growth - 50bps cost margin improvement to 11.2% (excluding touring cost of sales) - best result since FY07 & more than offsetting income margin decrease
- Contributing to 12bps net margin improvement
- All BT program expenses record as Business As Usual
- Employee benefits expense increasing in line with commission
- Opportunistic advertising spend decrease – cost-effective enquiry generation, driven by USA & UK businesses (increased spend in Australia)
- ACCC penalty \$13m & NZ Holiday Act remediation \$8m underlying PBT adjustments during FY18 (FY17 \$4m adjustment from exiting Employment Office JV)

## Profit & Loss

<i>AUD \$'m</i>	<b>FY18</b>	<b>FY17</b>	<b>Mvmt %</b>
<b>Group TTV</b>	<b>21,826</b>	<b>20,109</b>	<b>9%</b>
Operating revenue	2,921	2,740	7%
Other revenue	29	30	(5%)
<b>Total revenue</b>	<b>2,950</b>	<b>2,770</b>	<b>6.5%</b>
Other income	3	1	169%
Share of JV/Associates	2	2	(4%)
Employee benefits	(1,514)	(1,451)	4%
Marketing expense	(185)	(200)	(7%)
Rent expense	(168)	(163)	3%
Tour operations	(128)	(92)	39%
D&A	(78)	(75)	4%
Finance costs	(26)	(29)	(10%)
Other expenses	(493)	(438)	12%
<b>PBT</b>	<b>363</b>	<b>325</b>	<b>12%</b>
<b>Underlying PBT</b>	<b>385</b>	<b>330</b>	<b>17%</b>
EPS (cents)	260.5	228.5	14%
Sales teams	2,882	2,966	(3%)
<b>Margins</b>			
Underlying Income Margin	13.52%	13.77%	(25 bps)
Underlying PBT Margin	1.76%	1.64%	12 bps
Marketing % TTV	0.85%	0.99%	(15 bps)

# FY18 Results: Balance Sheet

- Strong cash position – circa \$1.5 billion in cash & investments at June 30
- Increased trade & other receivables driven by increase in corporate volume & acquisitions
- Goodwill on acquisitions (\$106million) & ongoing investment in key IT projects driving intangible assets increase
- Buffalo JV acquisition leading to decrease in other non-current assets
- Movement in current trade payables & other liabilities reflects strong turnover growth & acquisitions
- \$445m in general cash + \$108m in general investments (externally managed funds) = \$553m in general (company) cash & investments
- Modest debt - \$35m in borrowings
- Leading to \$517m positive net debt at June 30

## Balance Sheet

<i>AUD \$'m</i>	<b>As at June-18</b>	<b>As at June-17</b>	<b>Mvmt %</b>
Cash & cash equivalents	1,273	1,282	(1%)
Financial assets	204	200	2%
Trade & other receivables	845	762	11%
Other current assets	113	94	20%
<b>Current assets</b>	<b>2,435</b>	<b>2,338</b>	<b>4%</b>
PPE	248	256	(3%)
Intangibles	612	471	30%
Other non-current assets	110	130	(15%)
<b>Non-current assets</b>	<b>970</b>	<b>858</b>	<b>13%</b>
<b>Total assets</b>	<b>3,405</b>	<b>3,195</b>	<b>7%</b>
Trade payables & other liabilities	1,600	1,536	4%
Borrowings	35	56	(38%)
Provisions	49	43	14%
<b>Current liabilities</b>	<b>1,684</b>	<b>1,635</b>	<b>3%</b>
Trade payables & other liabilities	126	95	33%
Provisions	41	37	11%
<b>Non-current liabilities</b>	<b>167</b>	<b>132</b>	<b>27%</b>
<b>Total liabilities</b>	<b>1,851</b>	<b>1,767</b>	<b>5%</b>
<b>Net assets</b>	<b>1,554</b>	<b>1,429</b>	<b>9%</b>
General cash	445	426	4%
General investments	108	104	4%
Client cash	828	856	(3%)
Client investments	96	96	(0%)
<b>Total cash &amp; investments</b>	<b>1,477</b>	<b>1,482</b>	<b>0%</b>
<b>Positive net debt</b>	<b>517</b>	<b>474</b>	<b>9%</b>

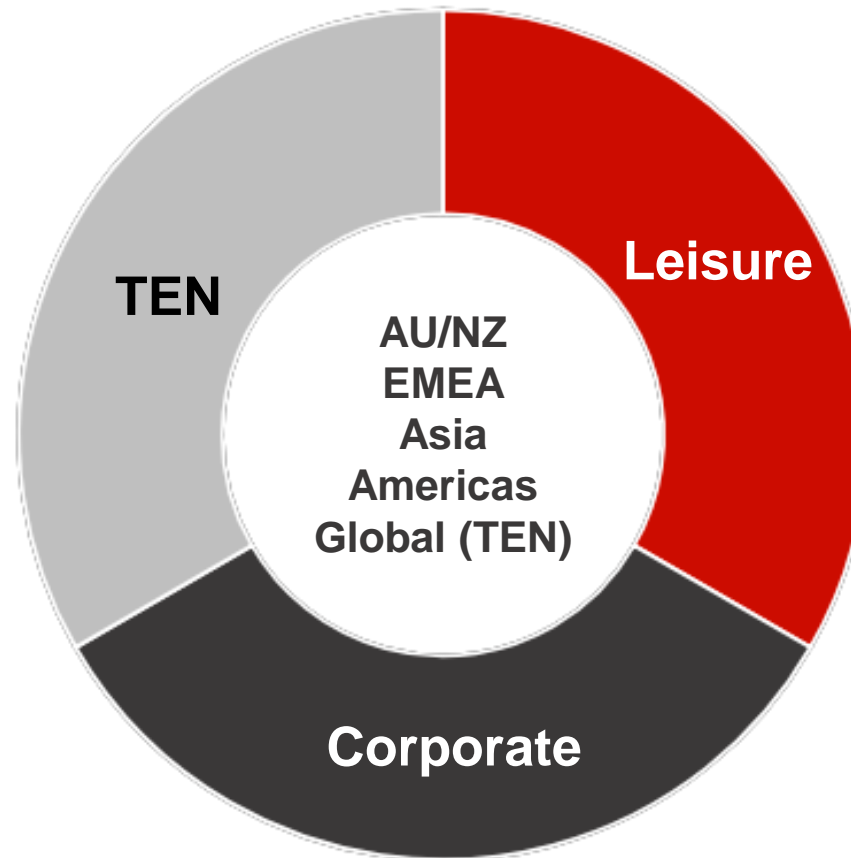
# FY18 Results: Cash Flow

- \$314m operating cash inflow over full year
- Lower tax paid in FY18 driven by decline in Australian PAYG instalment rate
- Cash-funded acquisitions to enhance network:
  - Olympus Tours (Mexico) – (\$24.6m) net cash impact
  - Executive Travel Limited (NZ) & Travel Managers Group (NZ) – (\$16.1m)
  - Les Voyages Laurier Du Vallon (Canada) – (\$16m)
  - BHMA (Asia) – (\$6.4m)
  - Travel Partners – (\$3.5m)
  - Cash inflow from consolidation of Buffalo – \$6.5m
- Cap-ex decreasing to \$87.3m & now weighted towards systems after recent investments in shops & head office moves
- Circa 50% of FY18 cap-ex spent on IT & systems
- FY19 cap-ex likely to be \$100m-\$110m

## Cash flow statement

AUD \$'m	FY18	FY17	Mvmt %
<b>Operating activities</b>			
Operating activities before interest and tax	404	399	1%
Net interest and tax paid	(90)	(103)	(13%)
<b>Cash flow from operating activities</b>	<b>314</b>	<b>295</b>	<b>6%</b>
<b>Investing activities</b>			
Acquisitions	(61)	(57)	7%
Purchases of PPE and intangibles	(87)	(104)	(16%)
Net purchases of financial assets	(1)	8	(114%)
Other investing cash flows	3	(8)	(137%)
<b>Cash flow from investing activities</b>	<b>(146)</b>	<b>(161)</b>	<b>(9%)</b>
<b>Financing activities</b>			
Financing activities before dividends	(30)	(18)	69%
Dividends paid	(156)	(138)	13%
<b>Cash flow from financing activities</b>	<b>(186)</b>	<b>(156)</b>	<b>19%</b>
<b>Increase/(decrease) in cash held</b>	<b>(18)</b>	<b>(22)</b>	<b>(16%)</b>
FX impact	10	(12)	(181%)
<b>Cash and cash equivalents</b>	<b>1,273</b>	<b>1,282</b>	<b>(1%)</b>
	<b>As at June 18</b>	<b>As at June 17</b>	
General cash (excl. Investments)	445	426	4%
Client cash	828	856	(3%)
<b>Total cash</b>	<b>1,273</b>	<b>1,282</b>	<b>(1%)</b>

# Results & Highlights: 3 Core Pillars, 5 Geographies



# Results & Highlights: Leisure

Transformation focus – Asia, UAE, Americas & Australia

Maintained TTV during period of consolidation - brands removed/merged, costs reduced

Strong North America turnaround – Canada & US businesses broke even

R&G plan initiated in Australia to increase market-share through 3 stronger streams

Circa 20% growth in online sales globally – fastest growth; BYOjet across several markets

Investment in new models – Independent contractor (home-based agency), Flight Centre Exclusives

# Results & Highlights: Corporate

Strong contribution to group results – generated 35% of FY18 TTV (\$7.7b)

Winning market-share – 16% increase in FY18 TTV (48% growth achieved since FY15)

Truly global - now a top-5 global TMC with company-owned business in 23 countries & licensees in 71 more

Being invited to pitch for & winning enterprise level multi-national account – record wins for FCM (circa \$1b)

Leading Corporate Traveller SME customer offering strengthened – new Your CT offering (SME portal)

Ongoing investment in leading system & tech suite – FCM Connect, SAM:] AI app, Savi

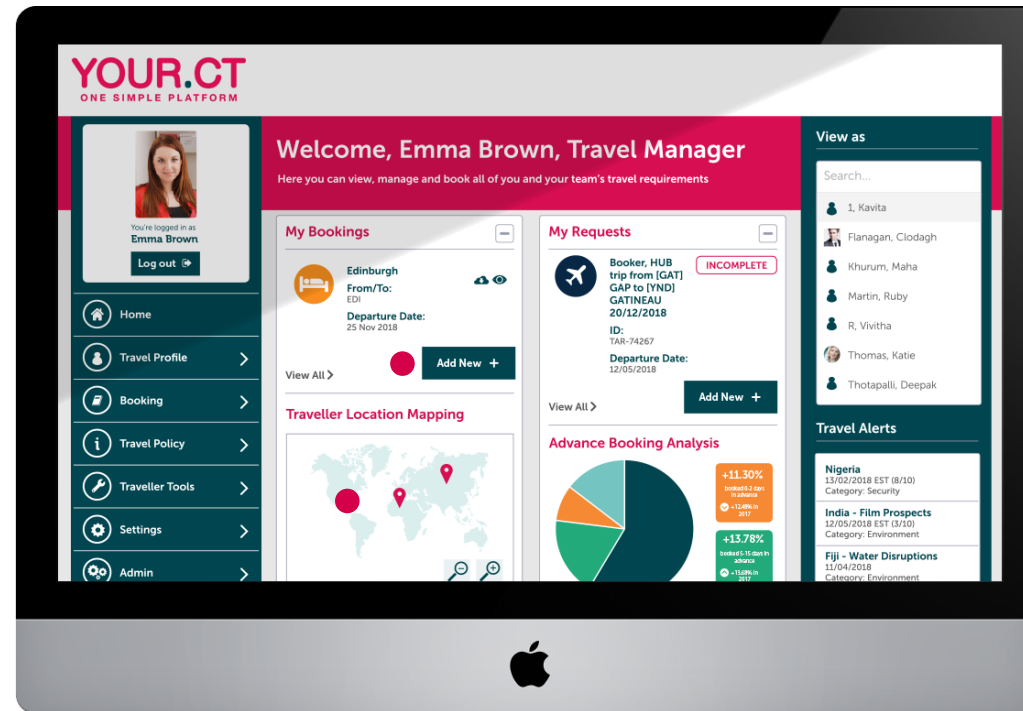
# Your CT: New Portal for SME customers

PROFILE  
MANAGEMENT

TRAVEL  
POLICY

BOOKING

TRAVELLER  
TRACKING



APPROVE &  
REQUEST

TRAVEL  
ALERTS

INVOICE  
DATA

REPORTS



# Results & Highlights: Travel Experiences Network

Emerging business pillar & an important future growth driver

Now includes four operating businesses, destination management companies (DMCs) & hotel management

Modest FY18 profit contribution during period of investment

Olympus (Mexico) acquired as part of global DMC strategy to operate alongside Asia-based Buffalo Tours

Buffalo DMC performing well & now 100% FLT owned (effective FY19)

First investment in accommodation sector via BHMA (hotel management) acquisition

# Results & Highlights: Australia/New Zealand

<i>AUD \$m</i>	<b>FY18</b>	<b>FY17</b>	<b>Mvmt %</b>
<b>TTV</b>	<b>12,317</b>	<b>11,836</b>	<b>4%</b>
<b>External Revenue</b>	<b>1,616</b>	<b>1,604</b>	<b>1%</b>
<b>Costs</b>	<b>(1,374)</b>	<b>(1,343)</b>	<b>2%</b>
<b>PBT</b>	<b>242</b>	<b>261</b>	<b>(7%)</b>
<b>PBT (underlying)</b>	<b>250</b>	<b>261</b>	<b>(4%)</b>
Sales staff	8,161	8,613	(5%)
Sales teams	1,706	1,752	(3%)
TTV per staff (\$'000)	1230	1127	9%
<b>Margins</b>			
Revenue Margin	13.12%	13.55%	(43 bps)
Cost Margin	(11.16%)	(11.35%)	19 bps
PBT Margin	1.97%	2.20%	(24 bps)

## Result Overview & Key Drivers

- 4% TTV growth to \$12.3b
- \$250million underlying PBT achieved, down 4% in AUD
- Successfully slowing cost growth – up circa 2%
- Australian results adversely impacted by non-recurring system change disruption, temporary sales force contraction & impact of brand mergers
- Record TTV in Australia – underpinned by solid corporate growth
- Modest leisure TTV growth during FY18 but recovery expected during FY19 as initiatives gain traction & as growth returns to normal
- New leisure models & products in place – home-based agency model, interest-free holidays, Captain's Packages
- Digital enhancements – solid online sales growth & better capabilities
- 15% TTV growth in NZ & 14% PBT growth (excluding holiday leave adjustments)
- Acquired businesses (Travel Managers & Executive Travel) contributing to NZ growth

# Results & Highlights: Americas

## Result Overview & Key Drivers

<i>AUD \$m</i>	<b>FY18</b>	<b>FY17</b>	<b>Mvmt %</b>
<b>TTV</b>	<b>4,755</b>	<b>4,330</b>	<b>10%</b>
<b>External Revenue</b>	<b>568</b>	<b>531</b>	<b>7%</b>
<b>Share of Associate</b>	<b>(2)</b>	<b>-</b>	<b>(100%)</b>
<b>Costs</b>	<b>(496)</b>	<b>(498)</b>	<b>(0%)</b>
<b>PBT</b>	<b>70</b>	<b>33</b>	<b>118%</b>
<i>Sales staff</i>	<i>2,604</i>	<i>2,749</i>	<i>(5%)</i>
<i>Sales teams</i>	<i>461</i>	<i>504</i>	<i>(9%)</i>
<i>TTV per staff (\$'000)</i>	<i>1376</i>	<i>1213</i>	<i>13%</i>
<b>Margins</b>			
Revenue Margin	11.95%	12.25%	(30 bps)
Cost Margin	(10.43%)	(11.50%)	107 bps
PBT Margin	1.49%	0.75%	74 bps

- 10% TTV growth to just under \$4.8b – about 22% of group TTV
- Strong profit growth – more than doubled to \$70m
- \$52m US profit – driven by continuing strong corporate results & leisure turnaround
- Liberty leisure business profitable for 1<sup>st</sup> time in 6 years
- StudentUniverse down on FY17 but achieved 2<sup>nd</sup> best profit result & good momentum from May-June
- 172% PBT growth in Canada
- Driven by good corporate results, contribution from acquired business (LDV) & leisure turnaround (circa \$8m in Flight Centre brand)
- Canada leisure business profitable for 1<sup>st</sup> time since FY11
- Improvement driven by network enhancements, changed product & marketing strategies, digital progress
- Now more than 500 home-based agents in North America through Independent by Liberty Travel (US) and Independent by Flight Centre (Canada) offerings

# Results & Highlights: EMEA

<i>AUD \$m</i>	<b>FY18</b>	<b>FY17</b>	<b>Mvmt %</b>
<b>TTV</b>	<b>3,104</b>	<b>2,707</b>	<b>15%</b>
<b>External Revenue</b>	<b>427</b>	<b>382</b>	<b>12%</b>
<b>Share of Associate</b>	<b>1</b>	<b>-</b>	<b>(100%)</b>
<b>Costs</b>	<b>(346)</b>	<b>(321)</b>	<b>8%</b>
<b>PBT</b>	<b>80</b>	<b>62</b>	<b>30%</b>
Sales staff	2,393	2,550	(6%)
Sales teams	508	515	(1%)
TTV per staff (\$'000)	970	825	18%
<b>Margins</b>			
Revenue Margin	13.75%	14.13%	(37 bps)
Cost Margin	(11.16%)	(11.84%)	68 bps
PBT Margin	2.60%	2.29%	31 bps

## Result Overview & Key Drivers

- 15% TTV growth to \$3.1b – region generated circa 14% of group TTV
- 30% PBT growth to \$80million (21% of underlying group result)
- UK & Europe profit up 24% in AUD, despite impacts of UK credit card changes & investment in FCM Germany start-up
- Good UK leisure contribution – now focused on long-haul, tailor-made holidays
- UK corporate businesses topped \$AU1b in TTV for 1<sup>st</sup> time (3<sup>rd</sup> corporate business to achieve this milestone)
- Small corporate businesses in Europe all profitable (excluding Germany start-up)
- Strong leisure results & record profit in RSA – contributing to net margin growth
- Record UAE profit (up circa 400%) & TTV during 1<sup>st</sup> year in EMEA segment, despite impacts of leisure business closure

# Results & Highlights: Asia

<i>AUD \$m</i>	<b>FY18</b>	<b>FY17</b>	<b>Mvmt %</b>
<b>TTV</b>	<b>1,386</b>	<b>1,063</b>	<b>30%</b>
<b>External Revenue</b>	<b>92</b>	<b>80</b>	<b>15%</b>
<b>Costs</b>	<b>(87)</b>	<b>(84)</b>	<b>4%</b>
<b>PBT</b>	<b>5</b>	<b>(3)</b>	<b>(249%)</b>
Sales staff	1,475	1,206	22%
Sales teams	197	189	4%
TTV per staff (\$'000)	673	634	6%
<b>Margins</b>			
Revenue Margin	6.66%	7.53%	(87 bps)
Cost Margin	(6.29%)	(7.86%)	157 bps
PBT Margin	0.37%	(0.33%)	70 bps

## Result Overview & Key Drivers

- Strong TTV growth – up 30% - from emerging region which includes Singapore, Malaysia, India, Mainland China & Hong Kong
- Circa \$8m profit turnaround – \$5.8m result achieved after 2 years of losses
- Record profits in Singapore & Malaysia
- Productivity growth across the region
- Transformation program well advanced & delivering benefits
- Ongoing cost focus
- Focusing on core corporate business in all countries expect for India - leisure businesses downsized/closed
- Modest profit achieved in India
- Corporate business & FY17 Travel Tours acquisition contributing to strong TTV growth

# Results & Highlights: Other

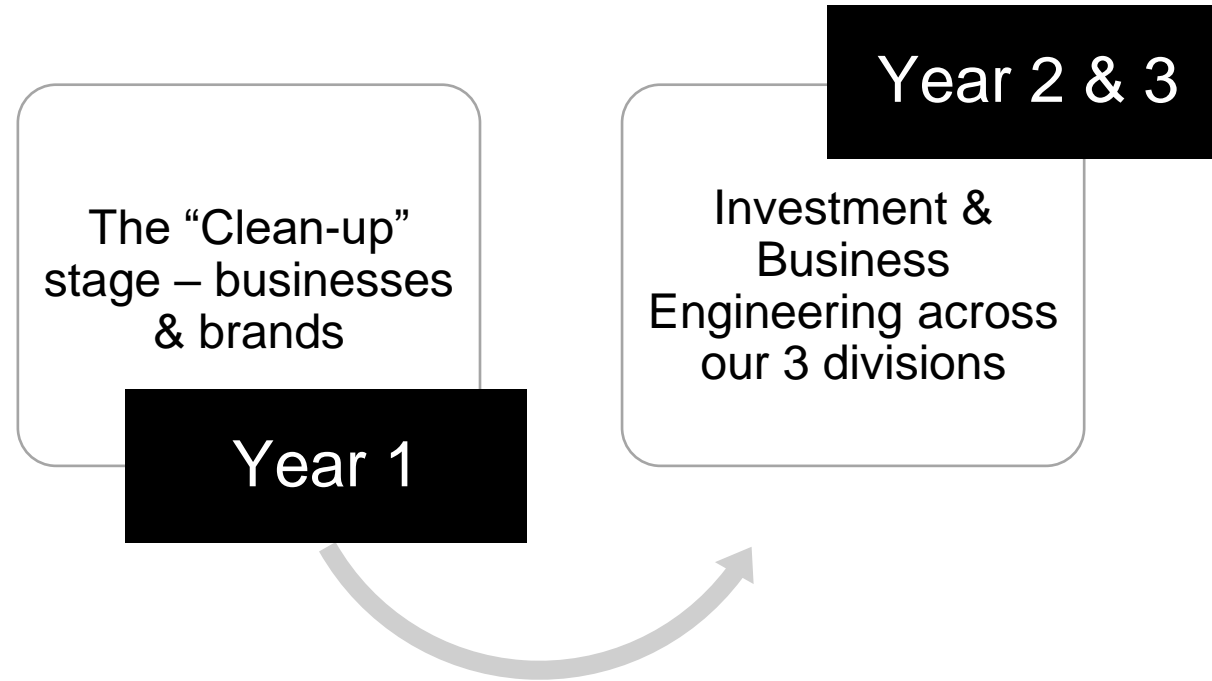
<i>AUD \$m</i>	<b>FY18</b>	<b>FY17</b>	<b>Mvmt %</b>
<b>TTV</b>	<b>263</b>	<b>173</b>	<b>52%</b>
<b>External Revenue</b>	<b>247</b>	<b>173</b>	<b>43%</b>
<b>Share of JV</b>	<b>3</b>	<b>3</b>	<b>27%</b>
<b>Costs</b>	<b>(284)</b>	<b>(201)</b>	<b>41%</b>
<b>PBT</b>	<b>(34)</b>	<b>(26)</b>	<b>30%</b>
<b>PBT (underlying)</b>	<b>(21)</b>	<b>(22)</b>	<b>(7%)</b>
<b>Margins</b>			
Revenue Margin	94%	100%	(678 bps)
Cost Margin	(108%)	(117%)	870 bps
PBT Margin	(13%)	(15%)	167 bps

## Result Overview & Key Drivers

- Segment includes TEN & other “global” businesses
- Underlying PBT in line with FY17
- FY18 PBT includes \$13m ACCC penalty, \$4m Employment Office loss included in FY17
- Solid profit growth from DMC & tour operating businesses
- Offset by modest losses from BHMA, op-ex (some BT expenses), M&A expenses, LTRP & ESP costs & increased global incentive payments
- Overall cost growth driven largely by inclusion of tour operating costs & addition of acquired businesses

# Business Transformation Program

Launched April 2017



# Business Transformation: FY18 Priorities

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Loss-making &  
Immaterial  
Businesses

Dealing with problem areas – removing or turning around loss making businesses

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Costs &  
Efficiency

Improving cost margins (slowing overall cost growth) & enhancing productivity

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Globalisation

Air, land, digital & IT synergies

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Focus on core brands – the Big 4



# Business Transformation: FY18 – Loss Making Businesses

## Loss Making & Immaterial Businesses

Focus on single core brand (FCM) in SE Asia

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Loss-making UAE leisure business closed

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Singapore & HK leisure businesses pivoted & downsized

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Loss-making North American leisure businesses repositioned & now breaking even

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R&G project initiated in Australia to fast-track leisure growth through 3 super networks

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Other brand mergers – Campus Travel & 4<sup>th</sup> Dimension now part of FCM in Australia, FCBT part of FCM in Singapore, RTW Experts in UK now part of FCB

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Better Network Planning – circa 90 shops closed in Australia & staff redeployed to better locations

# Business Transformation: Rebrand & Grow



## Mass Market

Focus on our No.1 travel brand – Flight Centre dominating the flight, holiday, cruise + small business travel markets across a range of models across the P2P Index



## Premium

Growing a network of premium agents & businesses (including franchises) under the Travel Associates brand & Travel Partners home-based & affiliates models



## Youth

Smaller but better network of Student Flights shops & bringing StudentUniverse to the Australian market to create an online-led youth travel brand

# Business Transformation: FY18 Achievements

## Costs & Efficiency

Further productivity growth – up 5% globally

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Leaner support structures – some head office redundancies (FY17)

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Outsourcing & robotics – web support, some finance functions

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Manila call centre closed

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Sales & marketing restructure in Australia

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Regional leadership team introduced in SE Asia

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# Business Transformation: FY18 Achievements - Globalisation

Decreasing  
reliance on  
Australia to drive  
overall growth

Stronger contributions from overseas businesses

Three main profit engines starting to emerge – Australia/NZ, Americas, EMEA

Air, land & IT  
synergies

Global Ticket Centre established (regional model previously in place)

Project Copernicus initiated – centralised global land database

Global finance platform (Dynamics) being deployed

SOAR – single, global e-commerce platform

Global GDS deployment completed during FY18

# Business Transformation: Ongoing Digital Focus

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## Online Product Pricing & Booking Capability

New responsive air, hotel & cruise booking engines now live

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Packages coming soon

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Self service or expert access throughout – supporting the blended model

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## Lead Generation

Automated/faster responses & follow-up – USA trials showing improved conversions

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RedConnect – Lead management; connecting customers to experts, Canada deployment imminent

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## Native Apps

Global collaboration, new features, part of our mobile first approach

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## FCB 2.0

A full program to take advantage of digital technology & ensure consistency (for example, documentation).

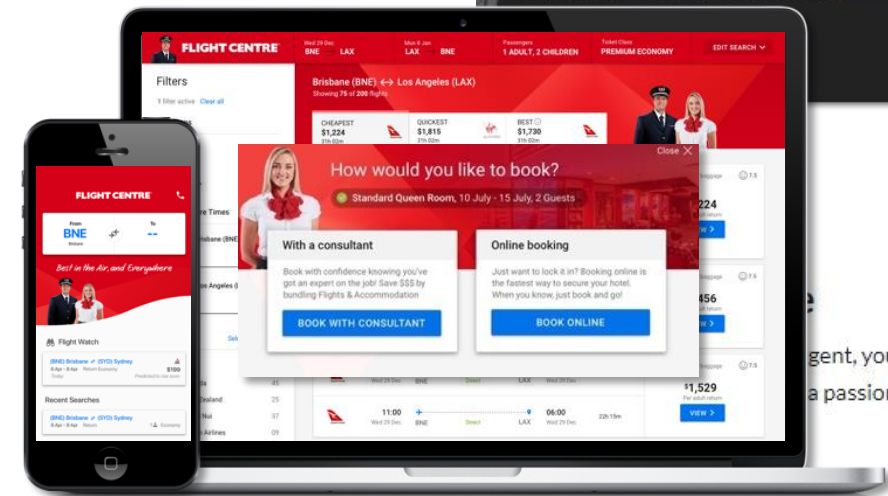
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Program aims to improve automation, reduce customer pain points, improve data management & more

# LEAD MANAGEMENT

## Digital Transformation: RedConnect

- New lead management technology, exiting MVP
- Developed at the Digital Factory (dNA) in Boston
- Successful pilot with Liberty Travel in USA
- Flight Centre Canada going live next
- Integration of new appointment technology
- Data, insights to improve conversion & operations
- Successful first CRM (Microsoft) phase
- Developed for FLT global scale, post pilots



### Perfect Match

We connect you with the right consultant who will craft your ideal travel experience.



### Crafted Vacations

Dive deeper into your destination with unique

# Business Transformation: Updated Targets in Place

Unchanged



**TTV Growth**

7% per annum TTV growth on average in constant currency through to FY22

New Target



**Cost Margin**

10% cost margin (underlying\* costs as a percentage of TTV) by FY22

Unchanged



**Net Margin**

2% full year net margin by FY22 (subject to mix)

\*Excludes touring cost of sales

# Business Transformation: FY19 Priorities

7

## **New Focus Areas**

Business engineering in our core brands to create:

- More efficient businesses
- A better & more consistent customer experience
- Scalable growth

10

## **Systematic Approach**

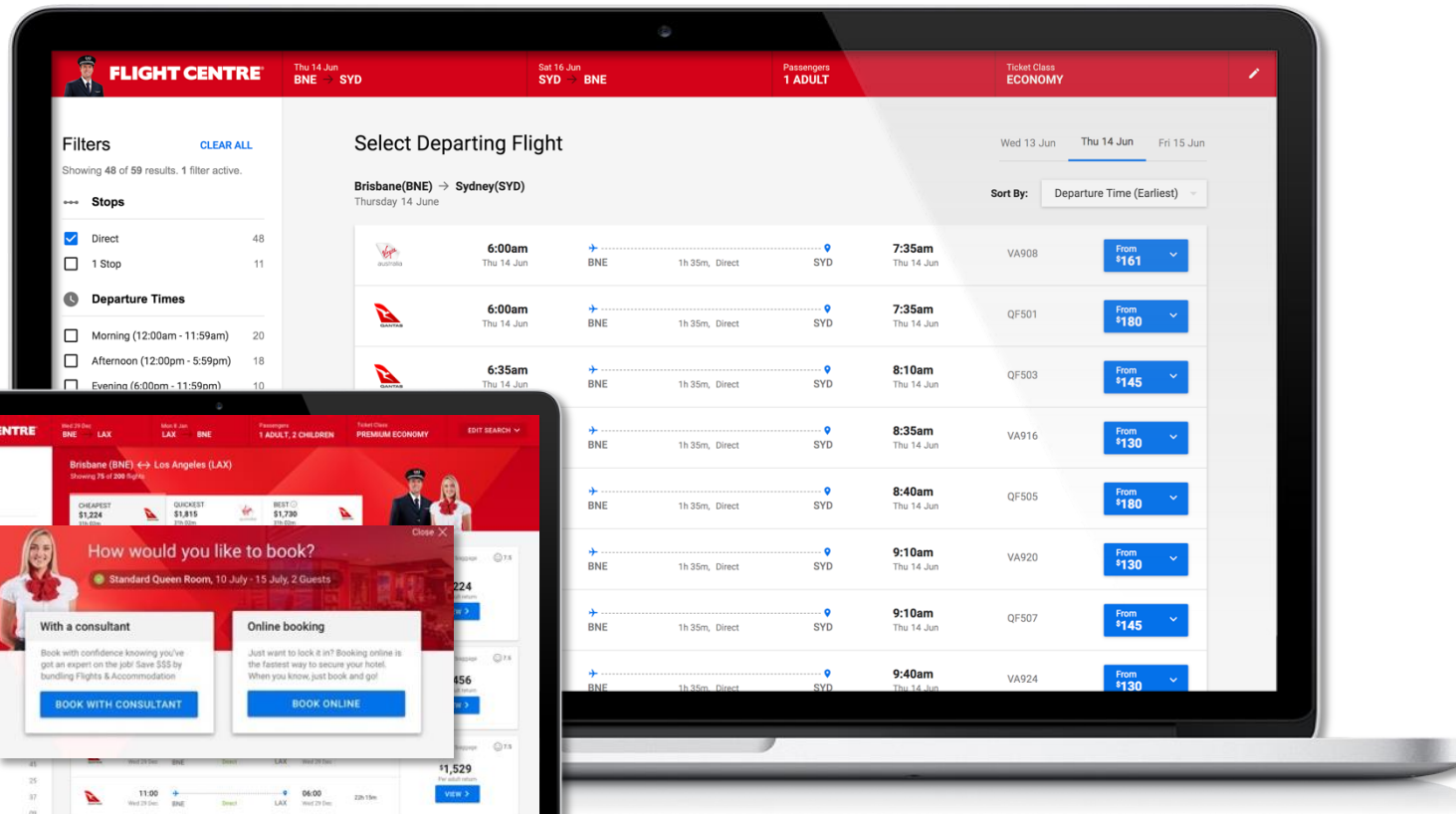
- Market assessment & thorough research
- Application of brand DNA (see Appendices)
- Answer key questions: What makes the brand unique?
- Review & evolve business model(s)
- Improve & deliver new systems & infrastructure
- Structured & disciplined projects & programs

2



# FRESH AIR (+HOTELS,CRUISE)

- ✓ New airfare services live
- ✓ Modern mobile-first UX/UI
- ✓ New hotels online
- ✓ New cruises online
- ✓ New native app features
- ✓ Focus on lead generation





# Outlook: Trading Update

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Solid Start to  
New Year

Tracking above prior corresponding period in early FY19 trading

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Guidance to  
be Provided  
After Q1

Too early to provide meaningful FY19 targets

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In line with recent practice, will update the market at AGM (October) after Q1

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Targeting  
Further  
Growth

Expecting to top record FY18 achievements



# Outlook: Market Conditions

Ongoing  
market growth  
expected

Air travel expected to double between CY17 and CY36 (Source: IATA) = 3.6% CAGR

Asia-Pacific region expected to be the key growth driver

Airfare prices  
remaining  
reasonably  
stable

Average fares in line with FY17 in Australia

Modest increases or decreases expected in average fares (subject to oil price movements) during FY19

Airline Capacity

Increasing steadily

3%-5% growth in Australia during CY18 (Source: BITRE)

Agreeing long-  
term deals with  
suppliers

Pursuing 5-10-year agreements with key partners

Virgin Australia deal in place, Singapore Airlines, Etihad



# Outlook: Growth Drivers

Positive  
Momentum in a  
Growth Market

Aiming to capture a greater share of a growing global travel market

BT Benefits

Transformation program expected to deliver further cost, efficiency & revenue benefits during 2<sup>nd</sup> year

Globalisation

Continued strong contributions from overseas

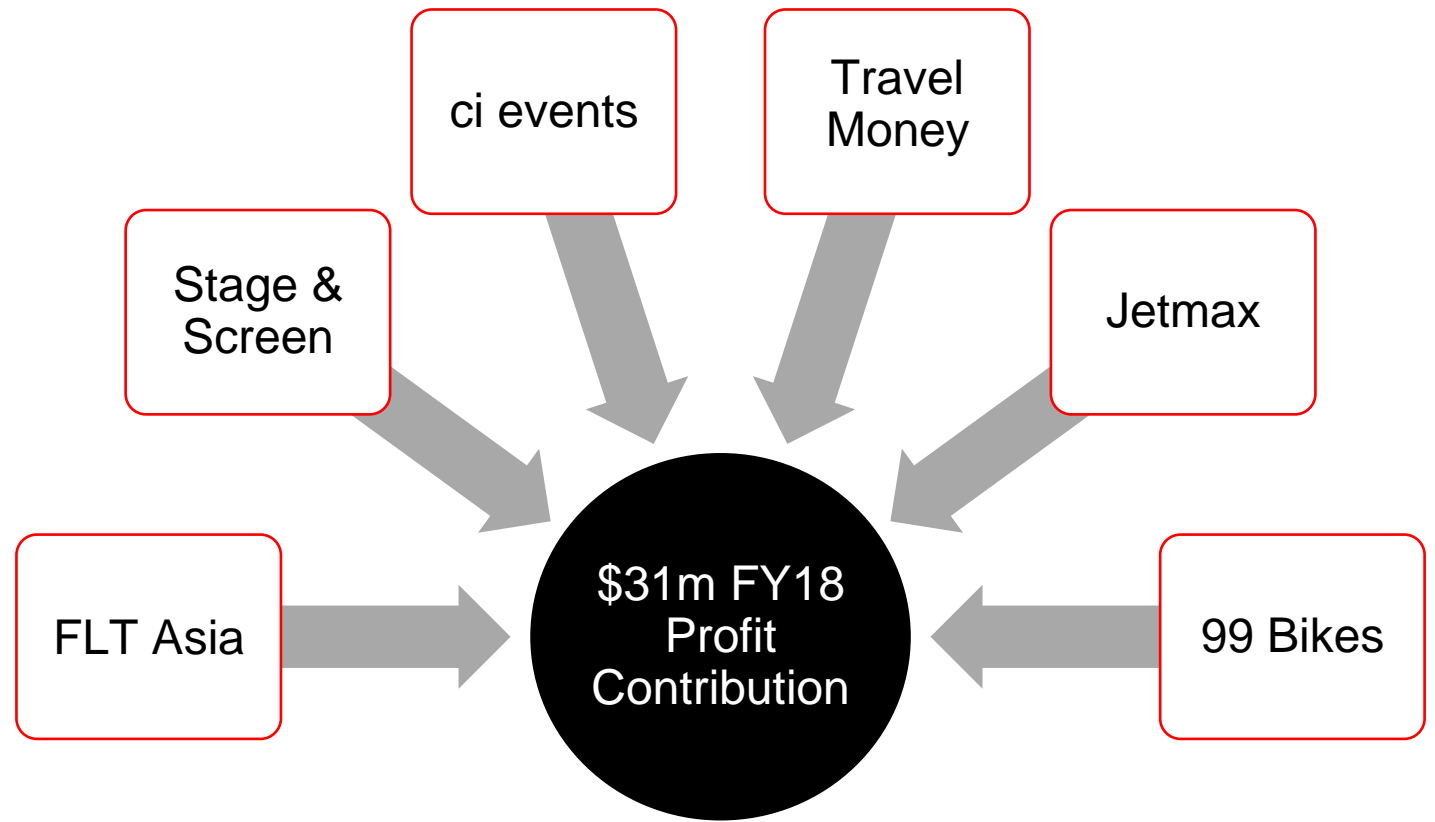
Big 4 leisure & corporate brands in major geographies (Australia/NZ, EMEA, Americas) likely to drive overall growth

Emerging  
Brands

Too small to drive overall growth but starting to make a meaningful contribution

Further growth expected

# Outlook: Emerging Businesses Gaining Scale



Not expected to be major profit drivers in the near-term, but ongoing growth expected



# Outlook: Leisure

Working towards 3  
key strategic  
anchors

Scalable, profitable growth  
Famous & distinctive brands  
Easy to buy from

Flight Centre brand  
evolution

Investment into our core leisure brand – productivity & conversion focuses  
FCB 2.0 in Australia (transformation program)

Stronger Premium  
& Youth Offerings

Premium – Travel Associates growth, LDV acquisition (Canada), Liberty Travel  
Youth – StudentUniverse, Student Flights

Independent  
contractor model

Global expansion via organic growth & acquisitions in multiple countries

Digital  
transformation  
underway

Better capabilities & use of technology in-store & online  
New mobile services & native apps  
Digital solutions to address offline customer pain points

Efficiency

Smaller, but stronger networks in some countries  
Network planning – closing poorly located shops & moving sales people to better sites





# Outlook: Corporate

Strong  
Pipeline

Record account wins during FY18

Circa \$1b in new business won globally for FCM alone

Truly Global

Recent acquisitions now bedded down

Further expansion into other key markets

Tech Suite  
Enhancements  
to Support  
People  
Offerings

Mobile app, Sam :]

Your CT

Savi





# New Initiatives: Savi

# Savi

## Introducing the platform that will keep you one step ahead

Forget what you know about business travel booking platforms. A whole new generation of ideas, insight and imagination has arrived, and it will change how you book travel forever.

It's beyond smart. It's beyond intelligent. It's Savi.

As a far-reaching redesign of today's business travel booking platform, Savi is one step ahead of the game.

It represents the future of AI inspired travel, and sets a new benchmark for the industry.

Savi has been developed as a joint initiative of the FCTG corporate division and Serko, and by combining our collective power, decades of customer insights, experience in developing market leading tech solutions and depth of travel knowledge... we've redefined what's possible!

Savi is available exclusively to FCTG's corporate customers. It offers you a curated, personalised and insightful experience that's powered by our unmatched travel expertise and Serko's next generation online booking platform.

Savi is packed with unrivalled features, unique modules, and exclusive travel content, and its intuitive interface promises a truly unique customer experience. Travel bookers and travellers will find Savi more visually appealing, more efficient and more intuitive. Our customers will benefit from smarter booking decisions leading to both time and cost savings for their businesses.

The FCTG and Serko partnership has a long history of results and a strong track record of technological innovation. When we work together, the combination of our unique skills represents an unrivalled union. As the most significant investor in Serko's development pipeline, FCTG will shape Savi's development agenda and ensure our customers always get the right outcome.

Together, FCTG and Serko are putting you one step ahead.

**Now that's Savi.**



# Outlook: TEN

## Building For The Future

A key longer term growth driver for FLT

Establishing the foundations

## Global DMC Network

Further progress towards global DMC plan – new systems & branding

Will consider further acquisition opportunities – Buffalo now 100% owned by FLT

## Global Touring Network

Set to carry more than 50,000 passengers during FY19

New Back-Roads Touring Asia range in place

## Global Hotel Network

System enhancement & rebranding projects underway

Further growth opportunities in new & existing markets

# New Initiatives: BHMA



- Now operating 18 properties in Thailand (17) & Vietnam (1)
- 4 additional properties signed & due to open during FY19 in Thailand (2), Vietnam (1) and Bali (1)
- X2 & Away brands
- Targeting additional properties in destinations where FLT has strong market-share
- Bali, Phuket, Fiji, North & Central America, Sydney, Melbourne

# Outlook: Investing in Our People



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New Australian leisure wage model – currently working with our people to develop an Enterprise Bargaining Agreement

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Workplace Flexibility & Diversity Programs

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Paid Parental Leave in Australia

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Mentoring

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UK Apprenticeship Program

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FCM Leave



# Beyond NDC

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Proactively working with GDSs & airlines on NDC (New Distribution Capability) initiatives

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Only Australasian-based TMC to be included as an initial launch partner in Sabre's Beyond NDC Program

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Will take an active role in future developments

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Also taking an active role in Amadeus programs

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Aim is to ensure the company & its customers share in any benefits & are not disadvantaged

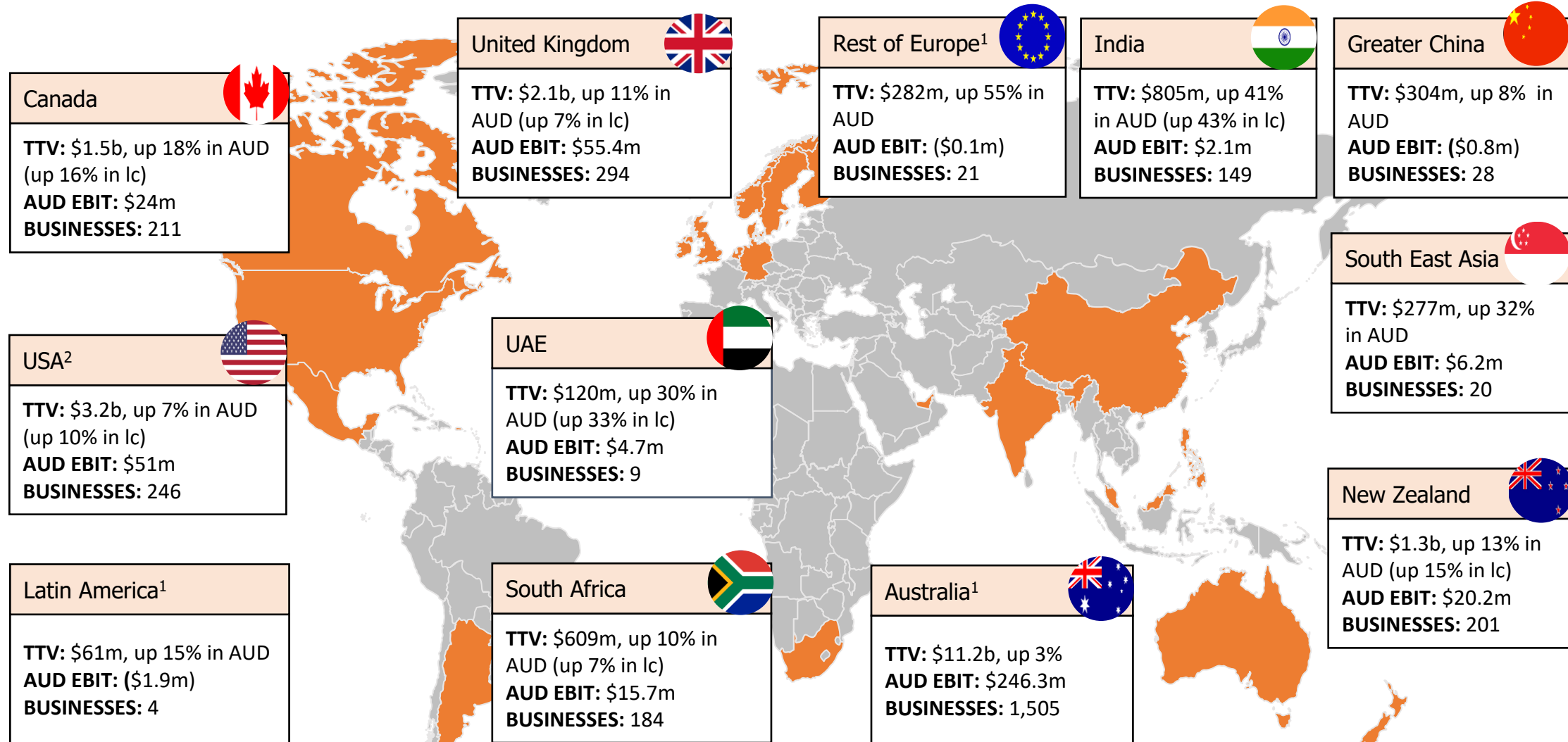
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FLT strongly believes that GDSs represent most efficient way to distribute travel & supports a collaborative approach

# End of Presentation Questions?



# Appendix 1: Results by Country



1. Results include joint ventures & associates.

2. Results include the Student Universe business.

## Appendix 2: Historical Results

### 5 year summary

	June 2018	June 2017	June 2016	June 2015	June 2014
<b>TTV</b>	<b>\$21,826m</b>	<b>\$20,109m</b>	<b>\$19,305m</b>	<b>\$17,598m</b>	<b>\$16,049m</b>
Income margin	13.5%	13.8%	13.7%	13.6%	14.0%
EBITDA	\$441.5m	\$402.1m	\$413.9m	\$417.0m	\$378.4m
PBT	\$363.5m	\$325.4m	\$345.0m	\$366.3m	\$323.8m
PBT (underlying)	\$384.7m	\$329.5m	\$352.4m	\$366.3m	\$376.5m
<b>NPAT</b>	<b>\$264.2m</b>	<b>\$230.8m</b>	<b>\$244.6m</b>	<b>\$256.6m</b>	<b>\$206.9m</b>
EPS	260.5c	228.5c	242.4c	254.7c	205.8c
DPS	167.0c	139.0c	152.0c	152.0c	152.0c
ROE	17.0%	16.2%	18.2%	20.2%	18.8%
Capex	\$87.3m	\$104.1m	\$121.0m	\$82.9m	\$55.4m
Selling staff	14,633	15,118	14,760	14,433	13,575
General cash	\$444.5m	\$425.9m	\$506.7m	\$564.7m	\$476.0m
Client cash	\$828.5m	\$855.8m	\$809.3m	\$813.3m	\$785.6m
<b>Cash and cash equivalents</b>	<b>\$1,273.0m</b>	<b>\$1,281.6m</b>	<b>\$1,316.0m</b>	<b>\$1,378.0m</b>	<b>\$1,261.6m</b>
Financial Asset Investments	\$204.1m	\$200.0m	\$204.5m	\$75.7m	\$41.2m
<b>Cash and investments</b>	<b>\$1,477.1m</b>	<b>\$1,481.6m</b>	<b>\$1,520.5m</b>	<b>\$1,453.7m</b>	<b>\$1,302.8m</b>



# FLIGHT CENTRE®

## BRAND CODES



*Best in the Air,  
and Everywhere*



INTERNATIONAL FLIGHTS	RETURN FROM
AUCKLAND	\$ 378
BALI	\$ 337
BANGKOK	\$ 709
CHRISTCHURCH	\$ 412
DUBLIN	\$1476
FIJI	\$ 596
HAWAII	\$ 567
HONG KONG	\$ 639
LONDON	\$1029
LOS ANGELES	\$ 988
MANILA	\$ 729
NEW YORK	\$ 999
PARIS	\$1039
PHUKET	\$ 752
ROME	\$ 878
SINGAPORE	\$ 553
TOKYO	\$ 649
VANCOUVER	\$1169

Prices are from Brisbane and subject to availability

**FLIGHT CENTRE®**

## OUR DNA

- ✓ FOR TRAVELERS, BY TRAVELERS
- ✓ IRRESISTIBLE DEALS
- ✓ SAVVY BUT FUN WITH IT
- ✓ PERSONAL
- ✓ MAKE IT EASY

# BRAND CODES: Travel Associates

01 THE LOGO



02 THE NAMES ABOVE THE DOOR



03 THE AUBERGINE DOOR



04 TA PURPLE



05 THE PRESSED TIN PATTERN



06 THE '&' SYMBOL



# OUR DNA: Travel Associates



Enduring personal  
connections



Crafting authentic  
experiences



Discerning



Trusted advisers



Boutique business  
thinking