



Statement to Australian Securities Exchange – December 21, 2018

Flight Centre Travel Group Targets High Growth Areas With New Acquisitions

Key Points

- FLT today announced new investments in key growth areas – the USA, corporate travel and in-destination travel experiences
- Agreement to acquire Silicon Valley-based Casto Travel to significantly strengthen the company's presence in the \$US300billion-per-year US corporate travel market
- 10-year lease secured on beach-front Bali hotel to bolster in-destination Travel Experiences Network (TEN) as vertical integration strategy gains momentum
- Deals follow FLT's acquisition of Toronto-based technology company Umapped in September 2018
- Further merger and acquisition opportunities being considered as FLT continues to target growth opportunities across three key travel sectors and to boost productivity, enhance the customer experience

THE Flight Centre Travel Group (FLT) today announced new investments in its fastest growing businesses, plus further expansion in its in-destination offerings.

The company has agreed to acquire Silicon Valley-based Casto Travel Inc's United States operations, in a deal that has both:

- Strengthened its rapidly growing United States business, which now rivals the UK as the company's largest profit generator outside Australia; and
- Enhanced its overall corporate travel footprint, given the Silicon Valley's size and importance as a global corporate travel hub.

FLT has also bolstered its emerging in-destination travel experiences network (TEN), by signing a 10-year agreement to lease the four-star Camakila Legian Bali hotel, a beach-front property that is already popular with the company's leisure customers.

The agreement follows the company's 2017 acquisition of hotel management group Bespoke Hotel Management Asia (BHMA), which now manages an emerging hotel portfolio in Thailand, Vietnam and Bali.

Managing director Graham Turner said the new businesses were significant additions to FLT's increasingly diverse global network.

"Across our major geographies, we are investing in three key business sectors that we see as key future growth drivers globally," he said.

"Specifically, these are our:

- Leisure travel businesses, which have been the major focus of our business transformation initiatives to date
- Corporate travel businesses, which have been growing strongly globally and have now emerged as our major profit engines in most countries; and
- Emerging TEN businesses, which have been expanded in recent years to include a network of tour operators, destination management companies and the BHMA hotel management business

"Including Camakila, BHMA now manages 22 properties and is expanding into prime locations, predominantly via management agreements but we will also execute leases in locations where we have consumer demand at levels that mitigate lease risk, provide us a strategic beach head and deliver accretive shareholder value.

"Legian's popularity with travellers globally, coupled with FLT's strong market-share in the region, makes this lease a low-risk proposition for the company.

"The agreement is also aligned with FLT's strategic objective of securing a greater level of control over the in-destination customer experience and the opportunity to capture a greater margin on products sold.

"Casto strengthens our overall US operation, which includes the highly successful and rapidly growing corporate travel business, along with our on and offline leisure businesses and wholesaler GOGO.

"This will give us greater scale in Silicon Valley and in the large West Coast market, where we previously had a relatively small corporate travel presence, while also complementing our larger operations on the East Coast and in other key locations.

"We now have a corporate travel presence in more than 20 US cities and there are significant future opportunities, given our strong growth trajectory and the size of the market, which is estimated to be worth more than \$US300billion per year.

"Last year, our US corporate travel businesses generated about \$US1.3billion in TTV in this huge market, which translated to approximately 10% of the company's total sales globally.

“Looking ahead, we see great opportunities for Casto to grow as part of our FCM Travel Solutions business.

“FCM’s global reach, proven marketing expertise and full corporate product suite will enhance Casto’s strengths and significantly increase opportunities to win larger pieces of business in the west, which is the USA’s second largest corporate travel market.”

In addition to the investments announced today, FLT is also investing in new tools and systems for its customers and is considering further opportunities to strengthen its leisure and corporate platforms.

The company recently acquired Umapped, a Toronto-based technology company that provides travel documentation, communication and itinerary management software to the travel industry.

Umapped’s products will be a key feature of FCB 2.0, the next generation Flight Centre brand offering in Australia.

FCB 2.0 has just been launched as a broader transformational program geared towards:

- Improving conversion
- Growing various specialist businesses; and
Cost effectively targeting higher growth sectors, including simple online transactions and the home-based agency sector

FLT will release half year accounts on February 21, 2019.

Overview – Casto Travel

Casto Travel (CTI) was established in 1974 and has become one of the leading independent travel management companies in the San Francisco Bay Area.

The business, which employs 85 people, is based in San Jose, California and now generates about \$US120million in TTV.

CTI serves largely corporate travel complemented with a premium leisure offer from its three offices in San Jose, San Francisco, and Tiburon.

CEO and owner Marc Casto will continue to run the business and will become senior vice president of FLT’s West Coast corporate business.

FLT will acquire a 100% shareholding and expects the transaction to settle in January 2019.

The acquisition price is confidential and has not been disclosed.

Overview – Camakila Legian Bali hotel

The Camakila is a four-star, beach front resort, located in a vibrant tourist area between Kuta and Seminyak.

Its facilities include a lagoon pool, beachfront infinity pool, two restaurants, fitness centre, onsite spa and excellent capacity for meetings and events.

The hotel, which has been rebranded Away Bali Legian Camakila, has 117 modern rooms including three luxury suites.

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