

# SeaLink Travel Group Limited

Investor Presentation – Half Year Results 31 December 2018

## Presenting today

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February 2019



01

Highlights

# Business highlights



## 'A solid half with more opportunities to profit'

- Total income of \$130.4m up \$31.7m or 32.1%
- Net Profit After Tax of \$13.0m, up \$1.7m or 15.0%
- Strong Net Operating Cashflow of \$28.9m up \$11.2m or 63.2%
- Net debt reduced by \$12.5m or 11.8%
- Interim dividend of 6.5 cents per share in line with H1FY18
- Successful integration and trading results from the new Fraser Island operations which were acquired in March 2018
- Successful commencement in September 2018 of a contract (10+10 year) to provide ferry services to Bruny Island in Tasmania providing a positive contribution during the period
- Renewal of TransLink contract (5+2 year) in South East Queensland
- Commencement of construction of new vessels for Bruny Island and Sydney Harbour



# Summary profit statement



Half Year ending 31 December	2018 \$m	2017 \$m	Growth \$m	Growth %
Revenue	130.4	98.7	31.7	32.1
Operating expenses (before interest, acquisition expenses, depreciation and amortisation)	104.7	74.9	29.8	39.8
<b>Underlying EBITDA</b>	<b>25.7</b>	<b>23.8</b>	<b>1.9</b>	<b>8.0</b>
EBITDA margin	19.7%	24.1%	(4.4)	(18.3)
Depreciation & amortisation	7.9	6.1	1.8	29.5
<b>Underlying EBIT</b>	<b>17.8</b>	<b>17.7</b>	<b>0.1</b>	<b>0.6</b>
Net Interest expense	2.2	1.4	0.8	57.1
Transaction costs	0.1	–	0.1	100.0
Net profit before tax	15.5	16.3	(0.8)	(4.9)
Income tax expense	2.5	5.0	(2.5)	(50.0)
Reported NPAT	13.0	11.3	1.7	15.0
<b>Underlying NPAT</b>	<b>13.1</b>	<b>11.3</b>	<b>1.8</b>	<b>15.9</b>
Basic EPS – cents per share	12.8	11.2	1.6	14.3

- Operating revenue rising by \$31.7m, up 32.1%, driven by new ferry services and the new Fraser Island acquisition
- Operating expenses increased due to Fraser Island, Bruny Island higher fuel costs, higher R&M and increased employee headcount associated with 'One SeaLink' marketing strategy
- Operating expenses include one off start up costs of \$320k for Bruny Island
- Underlying EBITDA up 8.0% to \$25.7m as a result of Fraser Island contribution offset by Captain Cook Cruises NSW & WA
- Higher depreciation, includes amortisation (\$1.0m) of customer contracts and impact of Fraser Island acquisition and touring permits
- Lower tax expense associated with the benefit of marine training incentives
- EPS increased by 14.3% to 12.8 cents per share
- Fuel consumption approximately 13 million litres of which 50% effectively hedged

# Statement of financial position



	Dec 2018 \$m	Jun 2018 \$m	Change \$m
<b>Total assets</b>	<b>313.4</b>	<b>300.6</b>	<b>12.8</b>
Total liabilities	156.2	148.3	7.9
<b>Net assets</b>	<b>157.2</b>	<b>152.2</b>	<b>5.0</b>
Net Interest Bearing Debt (IBD)	92.8	105.3	(12.5)
<b>Gearing (net debt to total tangible assets)</b>	<b>36.3%</b>	<b>43.2%</b>	
Debt / EBITDA (times)	<b>1.92</b>	<b>2.27</b>	

- Net Interest bearing debt down \$12.5m or 11.8% from \$105.3m to \$92.8m
- Interest cover >12 times
- All bank covenants met
- Gearing within target range

# Cash flow



Half Year ending 31 Dec	2018 \$m	2017 \$m	Change \$m
Receipts from customers	128.4	98.1	30.3
Payments to suppliers	(99.0)	(72.1)	(26.9)
<b>Gross operating cash flow</b>	<b>29.4</b>	<b>26.0</b>	<b>3.4</b>
Net interest	(2.2)	(1.4)	(0.8)
Income tax paid	1.7	(6.9)	8.6
<b>Net operating cash flow</b>	<b>28.9</b>	<b>17.7</b>	<b>11.2</b>

<b>Net investing cash flows</b>	<b>(8.7)</b>	<b>(10.3)</b>	<b>1.6</b>
Proceeds from share issue	0.5	N/A	0.5
Proceeds from borrowings	(0.8)	5.5	(6.3)
Dividends paid	(8.1)	(8.1)	-
<b>Net financing cash flows</b>	<b>(8.4)</b>	<b>(2.6)</b>	<b>(5.8)</b>
Cash at the end of the year	15.0	7.7	7.3

- Good earnings quality with continuing strong correlation between EBITDA of \$25.7m and gross operating cash flow of \$29.4m
- Net operating cash flow up \$11.2m or 63.3%
- Anticipated FY19 Capex approximately \$19m

## Net investing cash flow includes:

Item	\$m
Sale of Vessels	(2.1)
Marine Fleet	8.7
Coaches & vehicles	1.0
Plant & equipment	0.6
Buildings	0.5
<b>Total</b>	<b>8.7</b>

**SEALINK**



02

Segment performance

# Business unit results



## SeaLink South Australia & Tasmania

Half Year ending 31 December	2018 \$m	2017 \$m	Variance \$m
Revenue (external) (Ferry, Murray Princess, coach tours, retail travel, accommodation, Bruny Island)	33.0	31.5	1.5
Direct expenses	19.8	17.8	(2.0)
Indirect expenses	3.7	3.7	–
<b>EBITDA (pre corp. allocation)</b>	<b>9.5</b>	<b>10.0</b>	<b>(0.5)</b>
<b>EBITDA margin</b>	<b>28.8%</b>	<b>31.7%</b>	
Depreciation & amortisation	1.5	1.3	(0.2)
Corporate allocation	2.2	1.9	(0.3)
<b>EBIT (after corp. allocation)</b>	<b>5.8</b>	<b>6.8</b>	<b>(1.0)</b>

<b>News</b>	<ul style="list-style-type: none"> <li>Unseasonal weather disruptions to KI in December - profit impact of ~\$350k</li> <li><i>PS Murray Princess</i> – lower revenue versus strong prior year</li> <li>Good season for farmers on KI – increased freight</li> <li>Eight cruise ship visits to Kangaroo Island with island touring. 28 scheduled with 40,000 pax for FY19</li> <li>Bruny Island service (commenced Sept 18) – positive contribution after absorbing start up costs of \$320k</li> <li>Intention to tender notified by the SA Government of the KI licence (post 2024)</li> <li>New passenger only competitor on KI route – no impact on sales</li> </ul>
<b>Contracts</b>	<ul style="list-style-type: none"> <li>10+10 year contract to provide ferry services to Bruny Island in Tasmania</li> </ul>
<b>Additions</b>	<ul style="list-style-type: none"> <li>1x new Scania coach</li> </ul>

- Sales increase from KI vehicles, freight and Bruny Island offset by a combination of the adoption of new Accounting Standard IFRS15, lower accommodation sales, lower travel centre sales and lower revenue from *PS Murray Princess*
- EBITDA margin decline reflecting higher fuel costs, KI weather disruptions and lower contribution from *PS Murray Princess*
- R&M increased due to major 15 year out of water survey and maintenance for main KI Freight vessel ~ \$350k more than normal and not expected to occur in FY20
- Expected full year earnings in FY19 broadly in line with FY18
- Profit growth expected to return to normal historical levels in FY20



# Business unit results



## Fraser Island

Half Year ending 31 December	2018 \$m	2017 \$m	Variance \$m
Revenue (external)	31.2	–	31.2
Direct expenses	20.5	–	(20.5)
Indirect expenses	5.3	–	(5.3)
<b>EBITDA (pre corp. allocation)</b>	<b>5.4</b>	<b>–</b>	<b>5.4</b>
<b>EBITDA margin</b>	<b>17.3%</b>	<b>–</b>	<b>-</b>
Depreciation & amortisation	1.6	–	(1.6)
<b>EBIT (before corp. allocation)</b>	<b>3.8</b>	<b>–</b>	<b>3.8</b>
Corporate allocation	0.4	–	(0.4)
<b>EBIT (after corp. allocation)</b>	<b>3.4</b>	<b>–</b>	<b>3.4</b>

<b>News</b>	<ul style="list-style-type: none"> <li>Kingfisher Bay Resort Group acquired on 26 March, 2018</li> <li>Acquisition includes Kingfisher Bay Resort, Eurong Beach Resort, Fraser Explorer Tours and Fraser Island Ferry operations</li> <li>Strong first full six months of ownership</li> <li>Record January 2019 trading result following Royal visit in October 2018</li> </ul>
<b>Additions</b>	<ul style="list-style-type: none"> <li>Refurbishment of staff accommodation complete</li> <li>Planning and design for improvements and upgrades of guest facing areas commenced</li> <li>New 4WD coach for on Island touring</li> </ul>

- Integration complete
- EBITDA of \$5.4m above expectations
- Amortisation charge of \$227k reflecting amortisation of various permits recognised on acquisition (\$3.2m) – no cash effect
- Increasing confidence Fraser Island will trade in line with or exceed acquisition metrics

# Business unit results



## Captain Cook Cruises, New South Wales & Western Australia

Half Year ending 31 December	2018 \$m	2017 \$m	Variance \$m
Revenue (external)	26.4	27.8	(1.4)
Direct expenses	21.3	19.3	(2.0)
Indirect expenses	4.5	5.9	1.4
<b>EBITDA (pre corp. allocation)</b>	<b>0.6</b>	<b>2.6</b>	<b>(2.0)</b>
<b>EBITDA margin</b>	<b>0.2%</b>	<b>9.4%</b>	
Depreciation & amortisation	1.3	1.2	(0.1)
Corporate allocation	0.8	0.5	(0.3)
<b>EBIT (after corp. allocation)</b>	<b>(1.5)</b>	<b>0.9</b>	<b>(2.4)</b>

### News

- Remain confident in the long term prospects for both CCC businesses
- Tightening domestic consumer spending and a softening across some international markets
- Good growth in Hop On Hop Off
- Year on year growth of 16% from Manly to Barangaroo ferry service slower than forecast but expected to lead to profits in the medium term
- Sydney Ferries charter revenue and contribution down 40%
- Rottnest Island ferry service delivered good results in December 2018 and January 2019
- Optus Stadium WA wharf access from December 2018

### Additions

- *MV Auspro* (Sydney)
- Two new light ferries for On-Demand services delivered

### Upgrades

- *MV Capricornian Sunset* (Quokka 1) – 4 engines

- Disappointing results from Manly and Sydney Ferries, NSW and WA River Cruising businesses in challenging trading conditions
- January 2019 trading from both businesses better than last year
- Rottnest impacted by an aggressive competitor discounting heavily which held back profit growth
- Direct expenses impacted by higher fuel, commissions and repairs and maintenance
- Strategic review continuing for both NSW and WA businesses focussing on cost structures, pricing strategies and productivity improvements and operational efficiencies
- Anticipate improved second half result compared with prior year

# Business unit results



## SeaLink Queensland & Northern Territory

Half Year ending 31 December	2018 \$m	2017 \$m	Variance \$m
Revenue (external)	39.9	39.4	0.5
Direct expenses	19.3	19.5	0.2
Indirect expenses	5.9	5.7	(0.2)
<b>EBITDA (pre corp. allocation)</b>	<b>14.7</b>	<b>14.2</b>	<b>0.5</b>
<b>EBITDA margin</b>	<b>36.8%</b>	<b>36.0%</b>	
Depreciation & amortisation	3.5	3.6	0.1
Corporate allocation	1.3	0.6	(0.7)
<b>EBIT (after corp. allocation)</b>	<b>9.9</b>	<b>10.0</b>	<b>(0.1)</b>

### News

- South East Queensland continues to deliver strong revenue and profit growth
- North Stradbroke Island continues to grow both passenger and vehicle numbers
- Successful launch of a whale watching cruise in Townsville
- *MV Quandamooka* return to SEQ from Weipa
- Lease of *MV Capricornian Dancer* lease ended in November 2018 and vessel returned to Gladstone currently looking for opportunities
- Commencement of a bus service on Groote Eylandt, NT

### Contracts

- TransLink contract (5+2 year) to Bay Islands renewed
- Preferred operator for Mandorah and Tiwi Islands contracts and final negotiations underway (5 year contract)

- EBITDA margin improvement due to increased passenger and vehicle numbers as well as tight cost control around R&M
- Both Gladstone and South East Queensland businesses performing to expectations with good growth prospects
- Sales growth from Townsville operations driven by Magnetic Island backpacker/adventure
- Sales growth from Northern Territory operations driven by new ferry and bus service (Groote Eylandt)
- Expectation FY19 second half will be in line with last year

# Marine fleet and capital investment

## Largest operator of marine fleet in Australia

- 83 vessels in the fleet - fleet size and mix provides flexibility and opportunities
- Delivery of 50 passenger super yacht *MV Auspro* into NSW operating in premium charter market
- Acquisition of *MV Bowen* (Bruny Island) and sale of *MV Mandurama* (Queensland)
- Two new Tubby Class ferries for inner harbour opportunities (ie Sydney Fish Markets) – delivered in December 2018
- Construction of new Bruny Island passenger and vehicle ferry underway in Tasmania
- Contract signed for new Super Yacht for lunch and dinner cruising on Sydney Harbour
- Estimated Capital Expenditure in FY19 approximately \$19m including:
  - Maintenance capex;
  - Fraser Island improvements;
  - Bruny Island vessel; and
  - SEQ barge replacement.





Performance outlook and focus

# 2019 Outlook and focus



## SeaLink positioned for profit growth and acquisitions

- Maintain our passenger transport and tourism focus
  - Continue to investigate leveraging existing capabilities and expertise in passenger movement across various modes of transportation and tourism accommodation
    - Recent acquisition and performance of Fraser Island provides increasing confidence
  - Increased contribution from the new contract service to Bruny Island
  - Growth in existing businesses – SEQ in particular
  - Continued improvement in new ferry routes
    - Impact of turnaround initiatives in WA and NSW
  - Lower debt from strong cashflow
  - Expectation first half tax benefit to continue
  - Recruitment of a new CEO well advanced
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- SeaLink is positioned to improve upon its first Half Year underlying NPAT of \$13.1 million.



## Appendices

# Appendix 1

## SeaLink Operational Snapshot



Location	Services	Fleet
South Australia	<ul style="list-style-type: none"> <li>• Passenger and freight ferry services between Cape Jervis and Kangaroo Island in South Australia</li> <li>• Accommodation and restaurant facilities at Vivonne Bay Lodge on Kangaroo Island</li> </ul>	5 vessels
	<ul style="list-style-type: none"> <li>• Murray River cruising aboard the historic PS Murray Princess in South Australia (under the Captain Cook Cruises brand)</li> <li>• Coach tours throughout South Australia and Kangaroo Island</li> <li>• Travel Agency in Adelaide, Australian Holiday Centre</li> </ul>	39 touring vehicles
Townsville	<ul style="list-style-type: none"> <li>• Passenger ferry services between Townsville and Magnetic Island</li> <li>• Government contracted ferry service to Palm Island</li> <li>• Touring packages to Palm Island, Magnetic Island and around Townsville</li> </ul>	4 vessels
Brisbane	<ul style="list-style-type: none"> <li>• Contract passenger ferry service for Queensland Government (Translink) to service four islands around the Southern Moreton Bay</li> <li>• Contract with Queensland Government to provide a water Ambulance service in the Southern Moreton Bay Islands</li> <li>• Contract with Queensland Department of Transport to operate the Moggill cable ferry crossing the Brisbane River</li> <li>• Barging of mineral sands from North Stradbroke Island to Brisbane</li> <li>• Passenger and vehicular ferry services from Cleveland (mainland) to Dunwich (North Stradbroke Island)</li> <li>• Vehicular barge service around the Southern Moreton Bay Islands, servicing Lamb, Karragarra, Macleay and Russel Islands</li> </ul>	19 vessels
Gladstone	<ul style="list-style-type: none"> <li>• Provision of barging and ferry services for the three LNG plants in Gladstone</li> </ul>	12 vessels
Fraser Island	<ul style="list-style-type: none"> <li>• Kingfisher Bay and Eurong Beach resorts</li> </ul>	3 vessels
	<ul style="list-style-type: none"> <li>• Passenger and vehicle ferry services to Fraser Island</li> <li>• 4WD touring on Fraser Island</li> </ul>	30 touring vehicles
Tasmania	<ul style="list-style-type: none"> <li>• Passenger and vehicular ferry services for the Tasmanian Government to Bruny Island</li> </ul>	3 vessels
Darwin	<ul style="list-style-type: none"> <li>• Passenger ferry services between Darwin and Mandorah and a contracted ferry service to the Tiwi Islands</li> <li>• Passenger ferry and bus service on behalf of the Groote Eylandt community</li> </ul>	4 vessels
Sydney	<ul style="list-style-type: none"> <li>• Tourist cruises and other charter cruises on Sydney Harbour, including lunch and dinner cruises</li> <li>• Passenger ferry services between Lane Cove &amp; Circular Quay, Darling Harbour &amp; Circular Quay and Wilson's Bay &amp; Circular Quay</li> <li>• Charter contracts for the provision of ferries to Harbour City Ferries (Sydney Ferries)</li> <li>• Passenger ferry service between Manly and Barangaroo</li> </ul>	23 vessels
Perth	<ul style="list-style-type: none"> <li>• Tourist cruises in Perth along the Swan River, including lunch and dinner cruises</li> <li>• Operation, on behalf of Transperth, of the commuter ferry service between the Perth CBD and South Perth</li> <li>• Passenger ferry service to Rottnest Island</li> <li>• Bells Function centre in Western Australia, an event space and catering facility</li> </ul>	10 vessels



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