

SEALINK TRAVEL GROUP ANNOUNCES 2019 FULL YEAR RESULT

Financial Highlights

- Record sales of \$248.8m (up 19.5% from \$208.2m in 2018) primarily driven by the acquisition of Kingfisher Bay Resort Group on Fraser Island and the new Bruny Island ferry service in Tasmania
- Underlying 2019 Net Profit After Tax (NPAT) of \$23.4M (before non-cash impairment of the investment in UWAI, business acquisition costs and Sydney Ferries tender costs), up 6% on the previous year (\$22.1m)
- Underlying EBITDA (before one off costs) of \$47.9m (previous year \$46.5M)
- Basic earnings per share of 21.2 cents, up 9.8% (19.3 cents in 2018)
- Fully franked final dividend of 8.5 cents per share (8.0 cents per share in 2018)

Operational Highlights

- Successful integration of Kingfisher Bay Resort Group and commencement of refurbishments
- Successful commencement of Bruny Island ferry service in Tasmania
- Commencement of construction of two vessels to operate the Bruny Island ferry service
- Renewal of TransLink contract to provide commuter ferry operations in the Southern Moreton Bay Islands
- Divestment of two Capricornian Class vessels above book value for net proceeds of \$9.9m

SeaLink Travel Group (ASX: SLK) (“SeaLink” or “the Company”) today announced an underlying Net Profit After Tax (NPAT) of \$23.4m for the financial year ending 30 June 2019, representing an increase of 6% on NPAT of \$22.1m for the previous year.

Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) were \$47.9m, representing a 3% increase on EBITDA of \$46.5m for 2018. Underlying EBITDA in 2019 was before impairment of the investment in UWAI (\$1.6m), business acquisition costs related to Fraser Island (\$0.2m), and costs related to the unsuccessful tender for Sydney Ferries (\$0.2m).

The underlying EBITDA in 2019 reflected challenging trading conditions in the key New South Wales market and on the Murray River in South Australia as well as the non-renewal of vessels leases impacting the performance of the Gladstone operation.

The Board has declared a fully franked final interim dividend of 8.5 cents per share, payable on 17 September 2019, an increase of 0.5 cents per share. Combined with the interim dividend of 6.5 cents per share, this represents a payout ratio of 70% of underlying NPAT of \$23.4m (before business acquisition expenses).

The Company continued to invest in its operations, with capital expenditure of \$17.6m primarily related to new vessels, touring coaches and upgrades on Fraser Island.

Managing Director and CEO Mr Jeff Ellison said: “The 2019 financial year has benefited from the out performance of the Fraser Island acquisition and our new Bruny Island ferry operations in Tasmania. These performed ahead of expectations as did many of our Queensland and Northern Territory operations. Some of our key tourism businesses were challenged by slower international visitor growth, a number of unseasonal weather events and consumer uncertainty in the lead-up to the May 2019 federal election.

“During the period under review, SeaLink successfully:

- Integrated the Kingfisher Bay Resort Group on Fraser Island
- Commenced the Bruny Island ferry service in Tasmania
- Divested two Capricornian Class vessels above book value for a total of \$9.9m
- Commenced construction of two vessels to operate the Bruny Island ferry service
- Commenced whale watching tours in Townsville and North Stradbroke Island.

Although international visitor growth has slowed to 3% year on year, SeaLink anticipates that the recent softening of the Australian dollar and improved exchange rate will make Australia a more attractive holiday destination for both international visitors and Australian residents.”

Divisional Results

SeaLink South Australia

A 6.6% decrease in EBIT (before corporate allocations) to \$16.9m in 2019 (\$18.1m in 2018) was primarily attributable to a challenging year for the PS Murray Princess, with revenue down 9% from the record high achieved in the prior year and higher repairs and maintenance with the major out of water survey for one of the Kangaroo Island vessels.

SeaLink South Australia, which includes touring, accommodation and holiday packages, achieved an increase in revenue from \$64.2m in 2018 to \$66.0m in 2019. This was primarily attributable to the impact of the commencement of ferry operations to Bruny Island, partially offset by lower revenues from our PS Murray Princess operations and change in accounting policies for agent and accommodation sales.

As previously disclosed, the South Australian Government has announced its intention to tender the Kangaroo Island ferry service, but tender documents are not expected until 2021/22. Our current licence to operate expires in five years in July 2024.

Captain Cook Cruises – New South Wales and Western Australia

The last 12 months have been challenging for the business as international tourism demand softened.

The Company's Captain Cook Cruises operations recorded an 3.3% decrease in sales revenue to \$53.4m in 2019 from \$55.2m in 2018, and a decline in EBIT before corporate allocations from a profit of \$0.5m in 2018 to a loss of \$1.1m in 2019. The decline in sales and EBIT was primarily attributable to lower chartering revenue from the Harbour City Ferries contract and a subdued economic environment. Dining revenue increased 1% in 2019.

Economic and trading conditions in WA are improving. Whilst operating results for the Swan River dining operations remain stable, our Rottnest Island business has shown double digit growth in passenger numbers and is now operating above break even.

Strategic Review of Sydney Harbour Operations

In the second half of 2019 the Company conducted a strategic review of its Sydney Harbour operations. We have decided that, unfortunately, our Manly to Barangaroo service, is unlikely to generate sufficient returns on investment to justify its continued operation and will be phased out immediately. Simultaneously we have negotiated a subsidy arrangement with the New South Wales government for our Lane Cove commuter service where no such arrangement previously existed.

We anticipate that the vessels used for the Manly-Barangaroo service will be successfully re-deployed to other services.

Impairment of UWAI Investment

During the period we recognised a non-cash impairment charge of \$1.6M in relation to the carrying value of our investment in IT start-up venture UWAI. UWAI is a mobile App that translates and publishes local business content into Chinese for Chinese tourists and visitors that they can easily access on their mobile devices. Although the concept and platform behind the business and opportunities remains sound, the business has not achieved the milestones set out in the initial business/investment case and a decision has been made in consultation with our auditors to impair the carrying value of this asset by 50%.

SeaLink Queensland

Underlying EBIT for the business unit (before corporate allocations) declined by 8.6% to \$20.2m in 2019, from \$22.1m in 2018. Sales revenue decreased by 0.8% from \$78.4m to \$77.8m primarily due to the loss of third party dry leases over two Capricornian vessels worth \$2.3m.

In Gladstone, a total of eight vessels remain engaged in operational service contracts in 2019, with the business performing to expectations on these contracts. An additional Capricornian vessel has been re-

deployed to attract additional short-term work for Curtis Island clients supporting shutdown activities and to attract tourism charter work. Additional short-term work for Curtis Island clients has exceeded expectations.

In April 2019 and June 2019, two Capricornian class vessels were sold to a New Zealand operator, realising proceeds of \$9.9m. The lease arrangements for these vessels had expired and a small profit on sale was achieved, confirming our holding value of these assets.

The South-East Queensland (SEQ) operations have benefited from higher sales on well-controlled cost base. We have worked effectively with the Queensland government and local community groups on further opportunities to grow tourism on North Stradbroke Island. We have established a partnership with QYAC (Quandamooka Yoolooburrabee Aboriginal Corporation) to provide a wet charter vessel for the first Indigenous owned whale watching cruise in Australia.

In January 2019 we were successful in renewing the TransLink contract to provide passenger ferry services between Redland Bay and the Southern Moreton Bay Islands for another five years with an additional two by one-year options.

SeaLink Townsville's sales revenue grew by 1.2% despite the extreme weather event (flooding) in February 2019 causing service cancellations over an extended period.

SeaLink Northern Territory's sales revenue increased by 15% compared to 2018. The increase was primarily attributable to continued strong performance on our Tiwi Islands service and the full year contribution of bus services and the expansion of ferry services on Groote Eylandt.

The Mandorah and Tiwi Islands contracts have been extended to 30 September 2019 whilst negotiations continue with the Northern Territory Government on renewed contracts for these routes. The Groote Eylandt contract is due to expire in 2020 and we have commenced positive discussions to renew this contract.

Fraser Island

Fraser Island traded well, with total revenue growth of 3% on the previous corresponding period. Our Fraser Island operations contributed sales of \$54.1m and EBITDA of \$8.0m.

The Kingfisher Bay Resort traded ahead of our expectations, and it benefited from the publicity surrounding the October 2018 visit of their Royal Highnesses, The Duke and Duchess of Sussex. We also undertook successful sales and marketing activities, which culminated in a successful year for the wedding market and a pleasing increase in direct bookings as a proportion of overall bookings.

The Eurong Beach Resort operations performed well. We undertook some important upgrades to facilities to which our guests responded very positively.

In coming CEO

An announcement regarding a new Chief Executive is imminent and will be made as soon as possible.

Outlook

The Company is well positioned to improve upon its 2019 full year underlying net profit after tax result, assuming average seasonal and current business conditions remain.

Key drivers of expected profit growth are:

- Increased profitability for Captain Cook Cruises NSW through the implementation of our strategic review;
- Organic growth in existing businesses in Queensland;
- Improved tourism demand in Western Australia, assisted increased support for tourism by the WA Government;
- Further growth in Fraser Island sales and revenue due to planned strategic investment in key areas and focused sales and marketing activities;
- Continued focus on cost-control and efficiencies for all transport and tourism products; and
- Potential upside from future acquisitions.

We continue to seek acquisitions that will enhance, leverage and complement our current capabilities and growth strategies in transport and tourism.

Overall 2020 has started in line with expectations.

We remain excited about the outlook for further organic tourism and transport growth opportunities throughout Australia, which the Company is very well-placed to identify and execute through growing economies of scale, well-proven fleet management and deployment capability, strengthening of an already significant international and domestic sales and marketing infrastructure, and a strong continuing focus on controlling costs.

For more information please call:

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About SeaLink Travel Group

SeaLink Travel Group Limited (ASX: SLK) (SeaLink) is one of Australia's most dynamic tourism and transport companies bringing the nation's best tourism experiences to the world. With over 1,600 staff across the country servicing eight million customers annually and with a fleet of 78 vessels and 60 coaches, 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, and includes:

- Ferry and barging services in South-East Queensland and Gladstone in Queensland
- Cruises, ferry and charter services on Sydney Harbour and on the Murray River
- Passenger ferry services in Townsville, Queensland and Darwin, Northern Territory and Western Australia
- Resorts, ferry service, and bus tours on Queensland's iconic Fraser Island
- 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 around South Australia
- Tour wholesaler to the travel trade
- Exclusive 4WD adventure based tours
- Adventure, accommodation and restaurant at Vivonne Bay, Kangaroo Island.

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