



SeaLink Travel Group Limited

Investor Presentation – Year Ended 30 June 2019

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27 August 2019



Kingfisher Bay Resort, Fraser Island

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Highlights

FY19 business highlights



A year of consolidation and investment

- Revenue of \$251.3m, up \$41.9m or 20.0%
- Underlying NPAT of \$23.4m, up \$1.3m or 5.9%, before non cash impairment of UWAI investment and one-off transaction costs and Sydney ferry tender costs (refer slide five)
- Underlying EBITDA of \$47.9m, up \$1.4m or 3.0%
- Strong Net Operating Cashflow of \$40.6m up \$12.1m or 42.2%
- Net debt reduced by \$21.4m or 20.3%
- Strong contribution from Kingfisher Bay Resort Group on Fraser Island (acquired March 2018)
- Successful commencement of the Bruny Island ferry service in Tasmania and commencement of construction of two new vessels
- Successful divestment of two Capricornian Class vessels for a total of \$9.9m net proceeds
- Positive contribution from our new Rottneest Island ferry service
- Final dividend increased by 6.2% or 0.5 cents per share to 8.5 cents per share



Summary profit statement



Year ending 30 June	2019 \$m	2018 \$m	Growth \$m	Growth %
Revenue	251.3	209.4	41.9	20.0%
Operating expenses (before interest, acquisition expenses, depreciation and amortisation)	203.4	163.0	40.4	24.8%
Underlying EBITDA	47.9	46.5	1.4	3.0%
EBITDA margin	19.1%	22.2%	(3.1)	(310)bps
Depreciation & amortisation	16.4	12.9	3.5	27.1%
Underlying EBIT	31.5	33.6	(2.1)	(6.3)%
Net Interest expense	4.6	3.1	1.5	48.4%
One-off costs	2.0	2.6	(0.6)	(23.1)%
Net profit before tax	24.9	30.5	(5.6)	(18.4)%
Income tax expense	3.4	7.9	(4.5)	(56.9)%
Reported NPAT	21.5	19.6	1.9	9.7%
Underlying NPAT	23.4	22.1	1.3	5.9%
Basic EPS – cents per share	23.1	21.8	1.3	6.0%

- Total revenue rising to \$251.3m, driven by impact of Fraser Island acquisition and Bruny Island ferry
- Operating expenses increased due to Fraser Island acquisition, higher fuel costs and higher repairs and maintenance
- Underlying EBITDA up 3.0% to \$47.9m – excluding one off transaction costs (\$0.4m) and impairment of UWAI investment (\$1.6m)
- Higher depreciation, includes amortisation (\$1.9m) for customer contracts and impact of Fraser Island acquisition (\$0.4m)
- Lower tax expense associated with the benefit of marine training incentives
- EPS increased by 6.0% to 23.1 cents per share
- FY19 Fuel consumption approximately 13 million litres. Currently 35% is effectively hedged for next 12 months or passed through to customers

One-off costs impacting FY19 result

\$2.0m of one off / abnormal costs normalised from underlying profit

Transaction / Tender costs – (\$0.4m)

- Residual acquisition costs of Fraser Island
- Abnormal specific external consulting costs for Sydney Ferries Tender (unsuccessful)

Impairment – UWAI (\$1.6m)

- Impairment of 50% of carrying value of IT start-up investment in UWAI.
- UWAI revised carrying value in books is \$1.6m.
- We have confidence in the underlying UWAI platform and strategy but as a start-up it is yet to achieve a breakeven position.

Year ending 30 June	2019 \$m (EBIT)
Transaction / Tender costs	0.4
Impairment - UWAI	1.6
Underlying EBIT	2.0

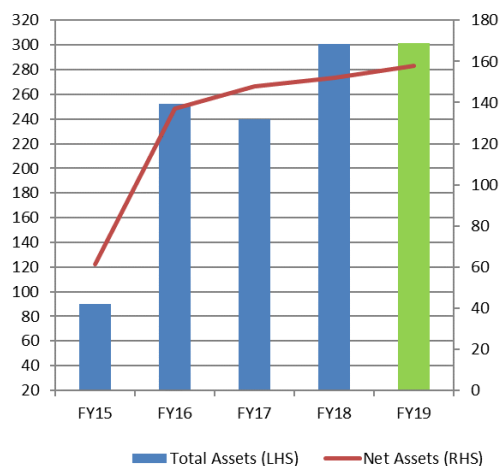


Statement of financial position



Strong Balance Sheet positioned for growth opportunities

Total assets and net assets – \$m



	June 2019 \$m	June 2018 \$m	Change \$m
Total assets	301.5	300.6	0.9
Total liabilities	143.6	148.3	(4.7)
Net assets	157.9	152.2	5.7
Net Interest Bearing Debt (IBD)	83.9	105.3	(21.4)
Gearing (debt to total tangible assets %)	33%	46%	(700)bps
Debt / EBITDA (times)	1.75	2.27	(520)bps

- Net assets increased by \$5.7m
- Net Interest Bearing Debt down \$21.4m or 20.3% from \$105.3m to \$83.9m
- Interest cover 10+ times
- All bank covenants comfortably met

Cash flow



Underlying business continues to generate strong cashflow

Year ending 30 June	2019 \$m	2018 \$m	Change \$m
Receipts from customers	251.6	208.3	43.3
Payments to suppliers	(202.8)	(161.6)	(41.2)
Gross operating cash flow	48.8	46.7	2.1
Net interest	(4.6)	(3.1)	1.5
Income tax paid	(3.5)	(15.1)	(11.6)
Net operating cash flow	40.7	28.5	12.2

Net investing cash flows	5.0	61.0	(56.0)
Proceeds from share issue	0.5	-	0.5
Proceeds from borrowings	(12.7)	47.4	60.1
Dividends paid	(14.7)	(14.7)	-
Net financing cash flows	(26.9)	32.7	(59.6)
Cash at the end of the year	11.9	3.2	8.7

- Good earnings quality with continuing strong correlation between underlying EBITDA of \$47.9m and gross operating cash flow of \$48.8m
- Net operating cash flow up \$12.2m or 42.2%
- Net proceeds of \$9.9m from sale of two Capricornian vessels
- Lower income tax paid due to benefit of marine training incentives
- Net investing cashflow includes:

Item	\$m
Vessels sold	11.9
Coaches & vehicles sold	0.7
Sub total - disposals	12.6
Marine Fleet Investment	12.8
Coaches & vehicles	1.9
Plant & equipment	1.0
Buildings	1.9
Sub total - additions	17.6
Total	5.0

- Anticipated FY20 Capex of approximately \$24m-\$26m. Increase relates to new vessels and Fraser Island upgrades

Update on strategic review of performance

New South Wales – ‘tourism and harbour dining the future’

- Following the tender outcome for Sydney Ferries in March 2019, we have pursued a number of options to optimise value and performance for the NSW business. With a focus on scaling back our fast ferry operations, the current initiatives undertaken or underway include:
 - New focus on building our high yielding lunch and dining experiences
 - Secured new wet & dry hire leases (6 +12 months) for 4 x Rockets on Sydney Harbour – commencing August 2019 – net contribution improvement of approximately \$1m pa
 - Received subsidy on Lane Cove service (6+6+6 months) – commencing July 2019 – net contribution improvement of approximately \$0.5m pa
 - Close Manly / Barangaroo ferry service – September 2019
 - Close other low yielding ferry routes
 - Continue to sell or re-deploy surplus vessels (2 sold, 1 relocated to Queensland)

Western Australia – ‘a confident future’

- Consolidated and rationalised our River Cruising products (offering and frequency)
- Strong growth in Rottnest Island service
 - Revenue up 51% in FY19 YOY (July 2019 trading up 100%)
- Focus on growing stadium transfer opportunities



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Segment performance

Magnetic Island ferry, Queensland

Business unit results



Fraser Island

Year ending 30 June	2019 \$m	2018* \$m	Variance \$m
Revenue (external)	54.1	11.5	42.6
Direct expenses	36.4	10.4	26.0
Indirect expenses	9.7	1.3	8.4
EBITDA (pre corp. allocation)	8.0	(0.2)	8.2
EBITDA margin	14.8%	(2.6%)	
Depreciation & amortisation	3.5	0.7	2.8
EBIT (before corp. allocation)	4.5	(0.9)	5.4
Transaction costs	0.2	2.6	(2.4)
Corporate allocation	2.3	0.4	1.9
EBIT (after corp. allocation)	2.0	(3.9)	5.9

* 3 months trading

Financial Review

- EBITDA of \$8.0m above guidance provided at time of acquisition
- Focus on yield management and driving occupancy and margin improvement
- Amortisation charge of \$385k reflecting amortisation of various touring permits over 10 years recognised on acquisition (\$3.2m) – no cash effect
- Corporate allocation now recognises the Group contribution via marketing and shared services

News

- Fraser Island includes Kingfisher Bay Resort, Eurong Beach Resort, Fraser Explorer Tours and Fraser Island Ferry operations
- Integration of operations complete with a focus now on upgrading facilities and growing occupancy
- Strong profit in first full twelve months of ownership
- Average occupancy 64.5%
- Royal visit in October 2018
- New adventure vessel ordered to increase offering to guests

Additions

- Refurbishment of staff accommodation complete
- Upgrades of guest facing areas commenced in June 2019
- New 4WD coach for on-island touring

Business unit results



SeaLink South Australia & Tasmania

Year ending 30 June	2019 \$m	2018 \$m	Variance \$m
Revenue (external) (Ferry, PS Murray Princess, coach tours, retail travel centre, accommodation)	66.0	64.2	1.8
Direct expenses	35.3	32.9	(2.6)
Indirect expenses	10.6	10.5	0.1
EBITDA (pre corp. allocation)	20.1	20.8	(0.7)
EBITDA margin	27.7%	32.4%	
Depreciation & amortisation	3.2	2.6	0.6
Corporate allocation	3.0	3.2	(0.2)
EBIT (after corp. allocation)	13.9	15.0	(1.1)

Financial Review

- Revenue increase from KI vehicles, freight and Bruny Island offset by lower passenger numbers to KI, lower accommodation sales and lower revenue from *PS Murray Princess*
- EBITDA margin decline reflecting higher fuel and repairs & maintenance costs, KI weather disruptions and lower contribution from *PS Murray Princess*
- R&M increased due to planned major 15 year out of water survey and maintenance for main KI freight vessel
- Profit growth and margin expected to return to normal historical levels in FY20

News	<ul style="list-style-type: none"> ● Record vehicle and freight numbers for Kangaroo Island ● Day tour passenger growth was flat as customers prefer self-drive holidays. ● 28 cruise ship visits to KI – 26 planned for FY20F ● SA Government intends to tender the KI ferry licence in 2021/22. (Licence expires in July 2024) ● New passenger only competitor on KI route – minor impact on sales ● Bruny Island service (commenced Sept 18) – positive contribution after absorbing start up costs of \$320k ● New aquaculture industry revenue in Tasmania
Contracts	<ul style="list-style-type: none"> ● Commenced 10+10 year contract to provide ferry services to Bruny Island in Tasmania
Additions	<ul style="list-style-type: none"> ● 1x new Scania coach ● Construction commenced on two vessels for Bruny Island ~ \$12m

Business unit results



Captain Cook Cruises, New South Wales & Western Australia

Year ending 30 June	2019 \$m	2018 \$m	Variance \$m
Revenue (external)	53.4	55.2	(1.8)
Direct expenses	39.8	40.5	(0.7)
Indirect expenses	12.0	11.7	0.3
EBITDA (pre corp. allocation)	1.6	3.0	(1.4)
EBITDA margin	3.0%	5.4%	
Depreciation & amortisation	2.7	2.5	0.2
Corporate allocation	1.3	1.1	0.2
EBIT (after corp. allocation)	(2.4)	(0.6)	(1.8)

News

- New 18 month contract for 4 Rocket passenger ferries start in Aug 19.
- New Lane Cove ferry service subsidy from July 19
- NSW Business continues to be held back by losses on start-up services, Manly to Barangaroo and White Bay.
- Western Australia had a better half - Rottnest Island service now profitable.
- Western Australia River Cruising and Stadium transfers improving
- Major refit and engine replacement on the Rottnest Island vessel 'Quokka1'
- Strong July'19 sales in WA up 44% YOY

Upgrades

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

Financial Review

- NSW and WA sales pulled down by softening tourism market – both domestically and internationally
- Second half EBITDA improvement of \$600k on pcp
- Continued to operate loss making routes to preserve value while sale options explored were a headwind on earnings
- Direct expenses impacted by higher fuel, commissions on sales and repairs and maintenance due to engine change overs
- Corporate allocation has increased as a result of costs of National sales and marketing and unsuccessful Sydney Ferries tender bid

Business unit results



SeaLink Queensland & NT

Year ending 30 June	2019 \$m	2018 \$m	Variance \$m
Revenue (external)	77.8	78.4	(0.6)
Direct expenses	39.9	38.4	1.5
Indirect expenses	10.9	10.9	-
EBITDA (pre corp. allocation)	27.0	29.1	(2.1)
EBITDA margin	34.7%	37.1%	
Depreciation & amortisation	6.8	7.2	(0.4)
Corporate allocation	2.5	1.8	0.7
EBIT (after corp. allocation)	17.7	20.1	(2.4)

News

- North Stradbroke Island continues to grow passenger and vehicle carries and earnings
- Successful launch of a whale watching cruise in Townsville
- Two Capricornian vessels sold to New Zealand for \$9.9m
- Challenging weather events – floods & cyclones in Townsville
- Sand Barging from Stradbroke Island to cease in April 2020
- New Tiwi island touring opportunities as visitor numbers continue to grow

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)

Financial Review

- Sales down due to lease of vessels in Gladstone concluding and prior year benefited from long term dry hire of *MV Quandamooka*
- Lower lease income from two Gladstone vessels (sold in June 2019)
- EBITDA margins declined due to loss of lease contribution, higher R&M and fuel costs
- SEQ business performing to expectations with good growth prospects in SEQ
- Townsville operations performed in line with expectations
- Good growth from Northern Territory operations up 15% driven by new ferry and bus service (Groote Eylandt) and Tiwi Island tourism



03

Outlook and focus

Kangaroo Island buses, South Australia

SeaLink positioned for strong profit growth and acquisitions

Industry

- Tourism Industry fundamentals remain strong with international visitor numbers growing at 3% p.a. and domestic tourism growing on the back of the low Australian dollar
- Transport services continue to provide stable growth and new opportunities

Earnings

- Upside from future acquisitions
- Further consolidation and investment in Fraser Island to grow demand and occupancies
- Execution of CCC–NSW restructure and divestment of under performing assets
- New opportunities for growth in Tasmania in transport and tourism following successful introduction of Bruny Island ferry service
- Continue to grow our Northern Territory business with new tours and transport services
- Improve efficiencies and pursue new opportunities with investment in Townsville fleet
- Continued improvements in our Western Australia business
- Expect tax benefit from Marine Training Incentives to continue

SeaLink positioned for strong profit growth and acquisitions

Management

- An announcement regarding the incoming Chief Executive is imminent and will be made as soon as possible

M&A

- Actively evaluating passenger transport opportunities to create a multi-modal provider of transport solutions leveraging our capabilities (see appendix)

Outlook

- Underlying EBITDA, including the benefit of CCC initiatives, is expected to be in the range of \$49.0m to \$52.0m for FY20 assuming current business conditions remain stable (including fuel price)
- Excludes any new acquisition opportunities currently under consideration



04




























Optus Stadium ferry service, Western Australia

Appendices

Appendix 1 SeaLink Operational Snapshot



SeaLink has invested in a suite of assets to offer customers a fully integrated, end-to-end transport and / or holiday experience

	1 Ferries <i>Core competency of passenger and freight transport</i>	2 Vehicles <i>Tourism exposure; integration with ferry operations provides opportunity to capture additional margin and offer a packaged service</i>	3 Resorts and land
Number*	 <ul style="list-style-type: none"> 16 vehicle and freight ferries 50 passenger ferries 12 accommodation and dining vessels 	 <ul style="list-style-type: none"> 43 coaches 15 mini-buses 14 4x4 vehicle 	 <ul style="list-style-type: none"> Two 3.5 - 4-star resorts One wilderness lodge Freehold land assets
Brands	            	    	  
Locations			 <p>2x Fraser Island 1x Kangaroo Island</p>
Ownership	Owned and leased	Owned and leased	Owned

* 5 vessels under construction

Appendix 1

SeaLink's operating capabilities



SeaLink's core operating capabilities are based on high quality customer service delivery and safety in passenger transport



1	Maintain strong government or public transport ministry relationships	✓
2	Tendering expertise for government and private contracts	✓
3	Scheduling, route optimisation and rostering	✓
4	Ticketing management systems	✓
5	Customer service delivery and safety	✓
6	Employee training	✓
7	Large-scale fleet operation and maintenance:	✓
	— Vessels	✓
	— Vehicles	✓
8	Tourism asset management	✓

Appendix 1

SeaLink investment highlights



Australia's #1 marine fleet operator with diversified operations across Australia

Essential commuter and freight transport services providing a resilient earnings base

Integrated tourism operations provide growth upside and opportunity to capture additional margin by providing a packaged service

Track record of strong revenue and earnings growth driven by contract wins and strategic acquisitions (19% revenue CAGR FY98 – FY19)

Scaleable platform with strong pipeline of domestic and offshore contract tender opportunities

Strong cash flow generation, with track record of debt paydown post debt funded acquisitions

Experienced management team who have led the company through significant periods of organic and M&A-led growth

Appendix 1

SeaLink Operational Snapshot



Location	Services	Fleet
South Australia	<ul style="list-style-type: none"> • Passenger and freight ferry services between Cape Jervis and Kangaroo Island in South Australia • Accommodation and restaurant facilities at Vivonne Bay Lodge on Kangaroo Island • Murray River cruising aboard the historic PS Murray Princess in South Australia (under the Captain Cook Cruises brand) • Coach tours throughout South Australia and Kangaroo Island • Travel Agency in Adelaide, Australian Holiday Centre 	<p>5 vessels</p> <p>39 touring vehicles</p>
Townsville	<ul style="list-style-type: none"> • Passenger ferry services between Townsville and Magnetic Island • Government contracted ferry service to Palm Island • Touring packages to Palm Island, Magnetic Island and around Townsville 	<p>4 vessels</p> <p>plus 1 vessel under construction</p>
Brisbane	<ul style="list-style-type: none"> • Contract passenger ferry service for the Queensland Government (Translink) to service four islands around the Southern Moreton Bay Islands • Contract with Queensland Government to provide a water Ambulance service in the Southern Moreton Bay Islands • Contract with Queensland Department of Transport to operate the Moggill cable ferry crossing the Brisbane River • Barging of mineral sands from North Stradbroke Island to Brisbane • Passenger and vehicular ferry services from Cleveland (mainland) to Dunwich (North Stradbroke Island) • Vehicular barge service around the Southern Moreton Bay Islands, servicing Lamb, Karragarra, Macleay and Russel Islands 	<p>19 vessels</p>
Gladstone	<ul style="list-style-type: none"> • Provision of barging and ferry services for the three LNG plants in Gladstone 	<p>9 vessels</p>
Fraser Island	<ul style="list-style-type: none"> • Kingfisher Bay and Eurong Beach resorts • Passenger and vehicle ferry services to Fraser Island • 4WD touring on Fraser Island 	<p>3 vessels</p> <p>plus 1 vessel under construction</p> <p>30 touring vehicles</p>
Tasmania	<ul style="list-style-type: none"> • Passenger and Vehicular ferry services for the Tasmanian Government to Bruny Island 	<p>3 vessels</p> <p>plus 2 vessels under construction</p>
Darwin	<ul style="list-style-type: none"> • Passenger ferry services between Darwin and Mandorah and a contracted ferry service to the Tiwi Islands • Passenger ferry and bus service on behalf of the Groote Eylandt community 	<p>4 vessels</p>
Sydney	<ul style="list-style-type: none"> • Tourist cruises and other charter cruises on Sydney Harbour, including lunch and dinner cruises • Passenger ferry services between Lane Cove and Circular Quay, between Darling Harbour and Circular Quay and between Wilson's Bay and Circular Quay • Charter contracts for the provision of ferries to Harbour City Ferries (Sydney Ferries) • Passenger ferry service between Manly and Barangaroo 	<p>21 vessels</p> <p>plus 1 vessel under construction</p>
Perth	<ul style="list-style-type: none"> • Tourist cruises in Perth along the Swan River, including lunch and dinner cruises • Operation, on behalf of Transperth, of the commuter ferry service between the Perth CBD and South Perth • Passenger ferry service to Rottnest Island • Bells Function centre in Western Australia, an event space and catering facility 	<p>10 vessels</p>

Appendix 2

Five Year Ratios and Statistics



Year ending 30 June		2015	2016	2017	2018	2019
Performance						
Operating revenue	\$m	111.7	177.3	201.4	209.4	251.3
Underlying EBIT*	\$m	14.8	35.3	37.5	33.6	31.5
Underlying NPAT*	\$m	9.6	23.1	23.8	22.1	23.4
Underlying EPS* (basic)	cents	12.6	23.6	23.6	21.8	23.1
Dividend per share (100% franked)	cents	7.8	12.0	14.0	14.5	15.0
Payout ratio (reported NPAT)	%	64.1	54.3	59.5	74.9	70.6
Financial strength						
Net assets	\$m	61.3	137.0	147.7	152.3	157.9
NTA per share	cents	68.9	89.0	100.0	101.0	106.0
Gearing	%	13	33	31	46	33

* Before acquisition related expenses and impairment

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