Chairman's Address – Gary Smith

WELCOME to the Flight Centre Travel Group's Annual General Meeting for 2019.

This morning, I will briefly touch on last year's trading highlights and other key developments, before inviting Skroo to address the meeting in relation to our 2020 fiscal year (FY20) progress and outlook.

Result Highlights

Your company again delivered record sales during the 12 months to June 30 2019, with total transaction value – or TTV – increasing 8.8% to $23.7billion.

In dollar terms, our TTV topped the record FY18 result by almost $2billion, as we:

- Eclipsed the prior year result for the 23rd time in 24 years as a listed entity; and
- Achieved record TTV in all regions

Our TTV growth was achieved with fewer sales staff – pointing to further productivity gains fuelled by our growth in various businesses and channels, including leisure online and managed corporate travel, which are heavily automated.

This consistent sales growth over a long period is a testament to our people's great ability first and foremost but also to:

- The strength of our brands and our geographic diversity
- The ongoing value of our offerings to our customers
- Our resilience throughout the economic cycle; and
- Our ability to identify and capitalise on new trends and opportunities

Unfortunately, this solid TTV growth did not translate to the record profit we initially targeted, although we did establish new profit records in the USA, Canada, UK, Ireland, the UAE, South Africa, Netherlands, New Zealand and China/Hong Kong.

Underlying profit before tax (PBT) was $343.1million, within our revised guidance range for the year but below the record FY18 result of $384.7million.

Statutory or actual PBT for FY19 was $343.5million slightly higher than the underlying result, and included various non-recurring losses and gains that were not included in the underlying result and that have been outlined in previous announcements.

Key drivers of TTV growth and profit included:

- Reasonable cost control in a slow revenue growth environment – underlying costs increased about 3% in constant currency
- Our international businesses, which again performed strongly and, together, delivered record profit and sales contributions; and
- Our corporate travel businesses globally, which together generated $8.9billion in TTV – 15.2% year-on-year growth

While we also performed well in some leisure sectors and markets, overall leisure results in Australia were below our expectations, albeit in a fairly subdued trading environment and during a period of significant disruption.

This disruption was linked to several major changes during the past two years including:

- The deployment of new technology, with our core sales system (GDS) being replaced, which temporarily impacted TTV growth, sales staff numbers, margins and in-store productivity
- The introduction of a new wage model for Flight Centre and Universal Traveller sales staff in Australia, which led to a $14million wage cost increase during FY19 after the Enterprise Bargaining Agreement (EBA) was adopted in October 2018
- Brand consolidation, which saw the Escape Travel and Cruiseabout brands closed during FY18 and about 20% of FLT's Australian leisure workforce redeployed to new brands; and
- An ongoing review of the leisure network

Skroo will talk more about the Australian leisure business shortly.

<u>Strength in Diversity</u>

The company's increasing globalisation and its ongoing strong growth in corporate travel in key global markets are extremely positive signs for the future.

Businesses outside Australia generated 52% of FY19 TTV and, for the first time, also generated more than half of group profit as our globalisation strategy gained momentum.

The Americas businesses continued their strong growth trajectory and delivered an underlying PBT in excess of $100million, which is a very significant achievement that few Australian companies looking to expand overseas have achieved.

This made the Americas business our first outside of Australia to achieve the $100million profit milestone and we see this region as an earnings powerhouse into the future, given the market's size and our small but rapidly growing share.

We estimate the US corporate travel market alone is worth in excess of $US300billion per year and our share is currently in the order of 1%.

Underlying profit last year increased by 44.4% across the Americas and has now increased almost five-fold since FY16.

Our success in Europe, the Middle East and Africa (EMEA), where we generated an $87million underlying PBT from $3.4billion of TTV, was also a very credible achievement, particularly in light of:

- Ongoing Brexit uncertainty in the UK, which is our largest EMEA business; and
- Our investment in the FCM Germany start-up, which incurred losses during FY19 but should break-even during FY20

We generated about 14% of our FY19 TTV in EMEA and this should increase in the future, given our growth record and our expanding footprint – particularly on Continental Europe.

The businesses in Asia delivered strong profit and TTV growth, making record contributions in both areas.

TTV increased about 40% during FY19 and should comfortably top $2billion during FY20.

Already this year, TTV in India alone has increased 50% compared to the corresponding period last year, with the FX business delivering 80% growth during the first quarter.

Our corporate businesses globally are built around a compelling offering that blends technology and our people – creating an excellent customer service proposition that delivers tangible savings and benefits to customers.

We were recently named in *The Australian Financial Review's* Most Innovative Companies list for 2019 for our work on the Savi Online Booking Tool and more broadly for the process of innovation that develops customer centric solutions for corporate clients.

We have also just launched a unique partnership with Uber that has seen Uber for Business services fully integrated with our corporate travel platforms for traveller profiles, booking capability, mobile apps, reporting and reconciliation.

Globally, we are growing organically by winning and retaining customers and, when opportunities arise, bolstering this growth with acquisitions in key markets.

Our most recent corporate acquisition was in Europe, where we secured the remaining 75% interest in 3Mundi, a very successful business with offices in France and Switzerland.

Earlier in the year, we also strengthened our USA west coast footprint through the acquisition of Silicon Valley-based Casto Travel.

Casto has given us greater scale in the large West Coast market, while also complementing our larger operations on the US East Coast and in other key locations.

Brand diversity is another key factor in our corporate travel success.

We recognise that customers in the small to medium enterprise (SME) sector have different needs to larger clients and we have tailored offerings to meet those specific requirements.

Corporate Traveller, which blends a simple personalised service with the market leading edge of a strong digital platform, is our SME specialist and it currently operates in Australia, New Zealand, the United States, Canada, the United Kingdom, South Africa and India.

In the Northern Hemisphere, we're working to bolster this SME model and deliver new benefits to customers by incorporating consumer-grade self service capabilities via our recent investment in Upside Travel and other enhancements.

Upside will use state-of-the-art technology to deliver a corporate travel solution that efficiently and profitably serves smaller companies with an all-digital booking experience and mobile self-service tools.

Our FCM Travel Solutions travel management brand, which focuses on larger national, multi-national and global accounts, has an equity presence in 22 countries and a network of independent licensees in an additional 75 countries throughout the world.

This business alone won new accounts worth more than $1.3billion during FY19, with wins broadly shared among the three major regions of Asia-Pacific, the Americas and EMEA.

Within the leisure travel sector, our offerings have continued to evolve.

Effectively, we have three leisure pillars targeting the mass market, premium customers and the youth sector through a variety of channels and brands.

Our dominant mass market offerings are in Australia, New Zealand and South Africa, while we tend to focus on more specialised and premium offerings in the Northern Hemisphere.

Globally, we have invested in or grown organically several emerging leisure distribution models in recent years, to complement traditional offerings.

These models have included:

- Flash sale and ready-made holiday packages (the Ignite investment in Australia). We recently took 100% ownership of Gold Coast-based Ignite, the business behind the Flight Centre Exclusives range and the MyHolidays brands, and we have outlined plans to look to export the model into our overseas retail businesses
- The home-based or independent contractor model, which has now been introduced in Australia, New Zealand, the USA, Canada and South Africa; and
- Specialist Flight Centre brand businesses that focus on small corporate accounts (Flight Centre Business Travel), premium air (First & Business Class), round-the-world airfares, group travel and cruise.

We are also recording strong online growth, with leisure sales via this channel reaching $1.3billion globally during FY19 and doubling in Australia during the FY20 first quarter.

Our third key division, our in-destination travel experiences network – which is now known as The Travel Group – is seen as a longer term investment and includes our:

- Global touring businesses Top Deck and Back-Roads
- Our Discova destination management companies in Asia and in the Americas; and
- Our hotel business, which has also just been rebranded to Cross Hotels and Resorts and currently manages 24 properties in Thailand, Vietnam and Bali

Technology and Systems

As always, we continue to take a long-term view of our business and invest in areas that we believe will create shareholder value into the future.

This has been reflected in the significant investment we have made in recent years in technology and systems to benefit our customers, lower costs, enhance consultant productivity and, of course, to ensure our customers' data is protected.

About half of our $100million annual cap-ex budget is now directed to these areas.

As we announced in our FY19 earnings release in August, we have also launched a global technology transformation program in conjunction with US-based travel tech consultancy Hudson Crossing to deliver meaningful enhancements to our IT and digital platforms.

While we continue to invest in key initiatives, we also maintain a healthy balance sheet.

This meant we were able to return a record $3.07 per share - $310.2million in total – in fully franked dividend payments to shareholders, including a $1.49 per share special dividend.

Largely as a result of these increased dividend payments, we had a reduced global cash and investment portfolio of $1.3billion at year-end, compared to $1.5billion one year earlier. Looking ahead, we expect to retain a healthy level of cash and moderate debt levels.

While our major focus has always been on organic growth, we will continue to complement this by acquiring businesses where appropriate opportunities arise.

During FY19, we completed a number of acquisitions or investments that collectively:

- Bolstered our technology platforms and offerings (Upside, Umapped, Claire, Sam :])
- Expanded our corporate travel footprint (Casto, 3Mundi); and
- Fast-tracked growth in emerging areas (Camakila hotel business)

Since year-end, we have also acquired the remaining:

- 25% interest in Les Voyages Laurier Du Vallon (LDV) in Canada to take 100% ownership of this very well established corporate and premium leisure business; and
- The remaining 51% interest in Ignite, taking us to 100% ownership.

Governance

In our annual report, I discussed at length the importance we place on governance and oversight, as well as on corporate culture.

We are very proud of our culture as it has underpinned our success over a long period of time.

It's crucial though that we ensure our culture focuses very much on looking after our customers over the short and long-term, as well as on recognising and rewarding our people and helping them develop and prosper professionally and personally.

An extensive culture survey was conducted recently and about 55% of our people globally took part.

The survey found that while we out-performed the global benchmark for most dimensions, particularly collaboration and alignment, there was room for improvement in two areas – work-life balance and empowerment.

We also out-performed the benchmark on engagement, continuous improvement, customer centricity, development, respect and trust, recognition and agility and received an engagement rating of 75%, above the 70% global benchmark.

This shows that we have a good foundation, but as is always the case, there is also some scope for improvement.

CSR and Sustainability

In our annual report, we again shared details on the progress we have made in the important area of corporate social responsibility or CSR.

The Flight Centre Foundation remains a key part of our CSR platform and it continues to provide invaluable support for our partner charities and causes, having now donated in the order of $20million since its inception.

Today, I would like to mention a person who has been instrumental to the Foundation's success – its founding chairman John Whately or JAW.

JAW recently stood down from the position and will be sorely missed.

On a positive note, I'm pleased to announce that our former CFO, Andrew Flannery, has agreed to fill JAW's rather large shoes.

Thank-you JAW and welcome back Flanno.

In addition to our efforts through the foundation, we are a signatory to the United Nations (UN) Global Compact, which is a voluntary initiative based on CEO commitments to implement universal sustainability principles and to take steps to support UN goals.

We have recently completed our Communication of Progress statement and have made the document available on the fctgl.com website.

The website will also house our inaugural Sustainability Report, which is nearing completion and highlights a number of notable programs including:

- The Giving Bank, a new people-related initiative which we believe is an Australia-first. The Giving Bank, which was included in the EBA, allows our people to donate sick leave to colleagues in need
- A plan to play a part in the eradication of energy poverty in three countries – Vanuatu, the Dominican Republic and Madagascar – in conjunction with SolarBuddy during the next 18-24 months; and
- Womenwise, which has become an important element in our efforts to enhance our gender diversity record at executive level and throughout our ranks

Later this morning, I will talk about gender diversity at Board level in a little more detail.

Before handing over to Skroo, I would again like that thank our people for their efforts and achievements during FY19. I would also like to thank-you – our shareholders – for your continued support. I now invite Skroo to address the meeting.