



# ASX:FLT FY20 HALF YEAR RESULT

27 FEBRUARY 2020



# TODAY'S PRESENTERS



**GRAHAM  
TURNER**

Global MD and CEO



**ADAM  
CAMPBELL**

Chief Financial Officer



**CHRIS  
GALANTY**

Corporate - CEO



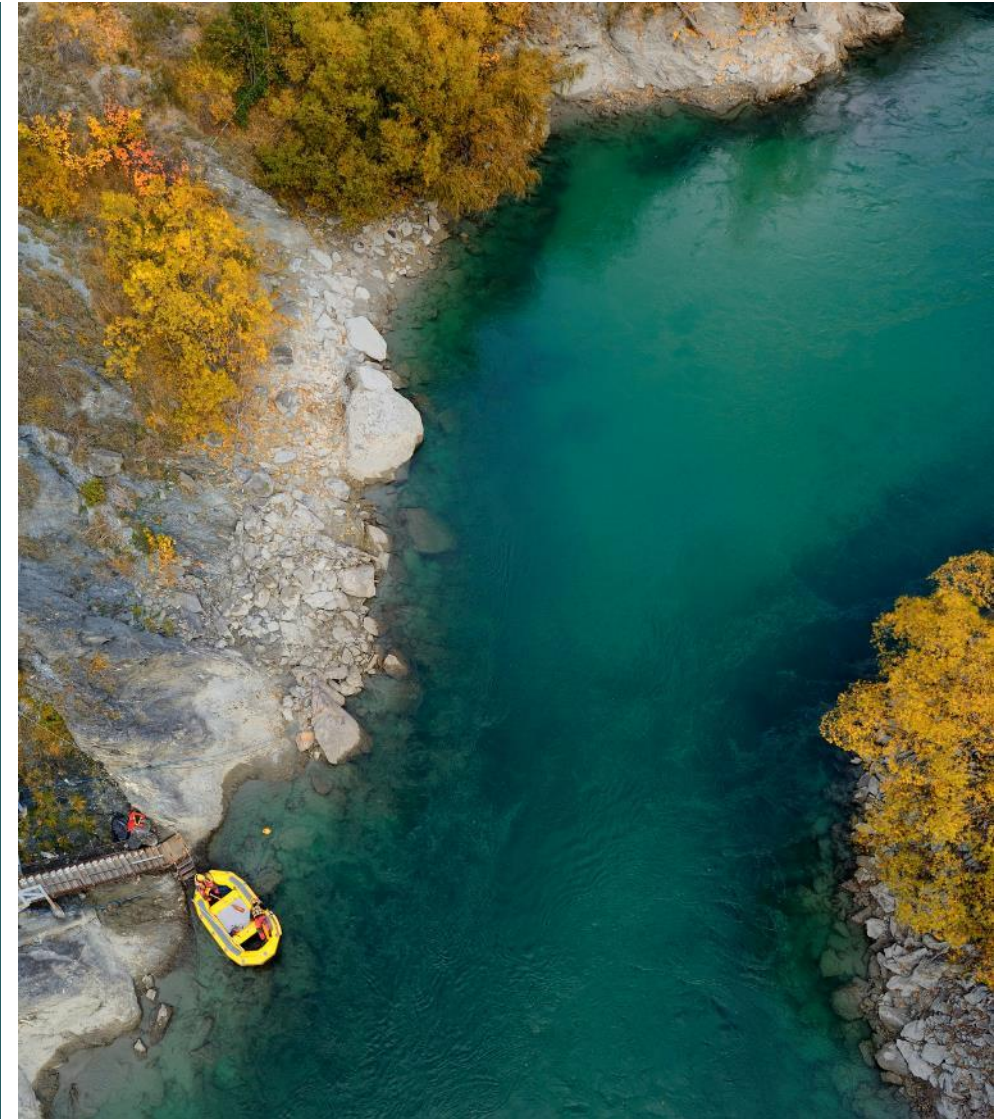
**MELANIE  
WATERS-RYAN**

Leisure - CEO



# RESULT HIGHLIGHTS

GRAHAM TURNER



# HIGHLIGHTS: RESULT OVERVIEW

Record TTV of \$12.4b (up 11.2%)

New records established in all geographic segments & in both corporate & leisure travel  
15%+ growth in Asia, Americas & EMEA, 6% growth in more mature ANZ markets

\$102.7m underlying PBT

Slightly above mid-point of guidance for the period  
Record EMEA profit – topped prior record by 17% despite Brexit impact on UK results

Continued out-performance in corporate sector

Gaining market-share in key regions with significant future growth potential  
24% 1H TTV growth from North America corporate business

Successfully growing leisure market-share through emerging/lower cost channels

Including online, ready-made packages, independent contractor/home-based  
Achieving solid leisure TTV growth but not yet translating to bottom-line in challenging trading cycle

New global leadership structure in place

Corporate & leisure CEOs appointed  
Reflects size and importance of both sectors

# HIGHLIGHTS: NEW GLOBAL LEADERSHIP TEAM



Graham Turner  
Global MD & CEO



Melanie Waters-Ryan  
CEO - Leisure



Chris Galanty  
CEO - Corporate



Adam Campbell  
CFO



Steve Norris  
MD - EMEA



Charlene Leiss  
MD - Americas



James Kavanagh  
MD - Australia

# HIGHLIGHTS: GROWTH IN A CHALLENGING CLIMATE

Brexit

Trade Wars

Hong Kong unrest

Safety concerns in Dominican Republic (circa \$US5million impact on US leisure results during period)

Soft trading cycle in some key markets – slowest growth in Australian outbound travel since the GFC



# FINANCIAL RESULTS

ADAM CAMPBELL



# RECORD TTV OF \$12.4B

**17%  
corporate  
growth to  
\$4.9b**

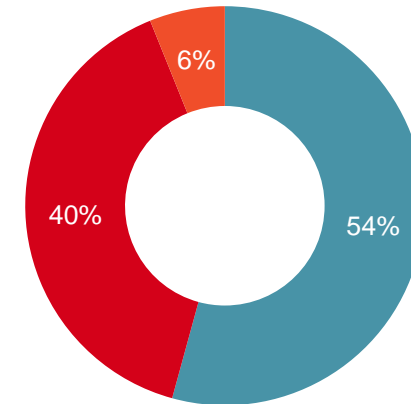
- Corporate travel brands generated almost 40% of group TTV
- Americas again growing strongly & now FLT's largest corporate business but with less than 2% market-share
- Record account wins to fuel future growth – including 1<sup>st</sup> \$US1b contract

**6.5%  
leisure  
growth to  
\$6.7b**

- Leisure businesses delivered 54% of group TTV
- More rapid growth in Australia (up 8.4%) - well above 1.6% outbound travel growth rate for period
- Growth in Australia driven by emerging brands, online and Travel Money

## TTV Contribution (%)

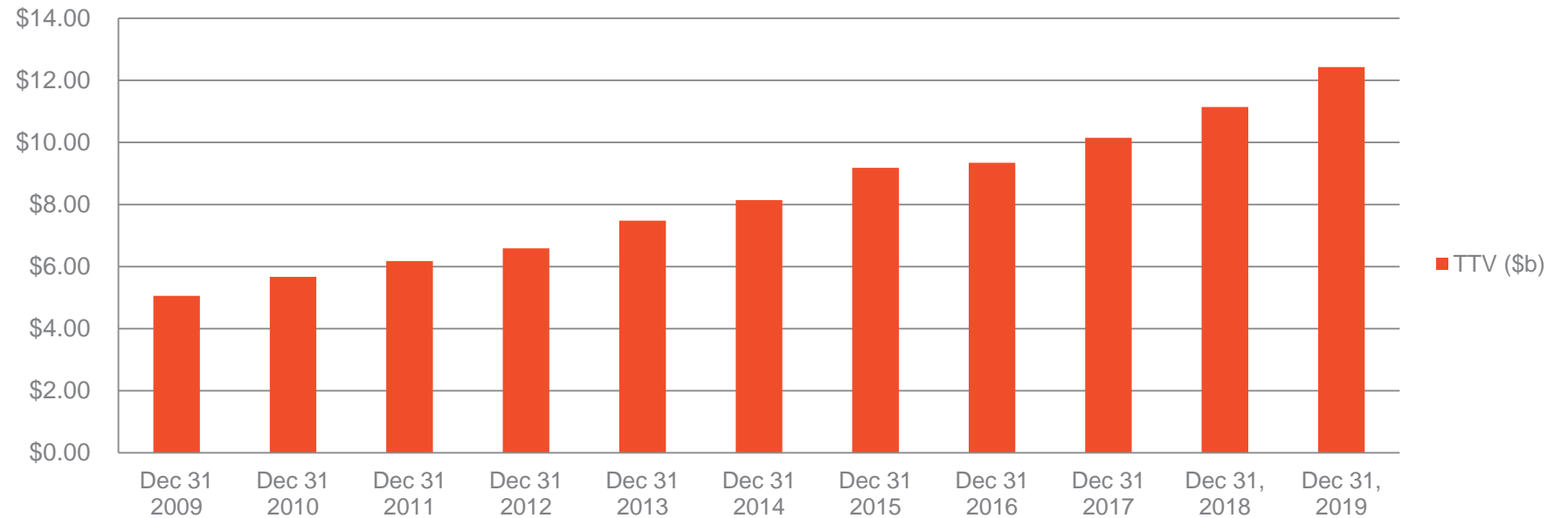
■ Leisure ■ Corporate ■ Experiences & Other





# STRONGEST 1H SALES GROWTH SINCE FY16

TTV (\$b)



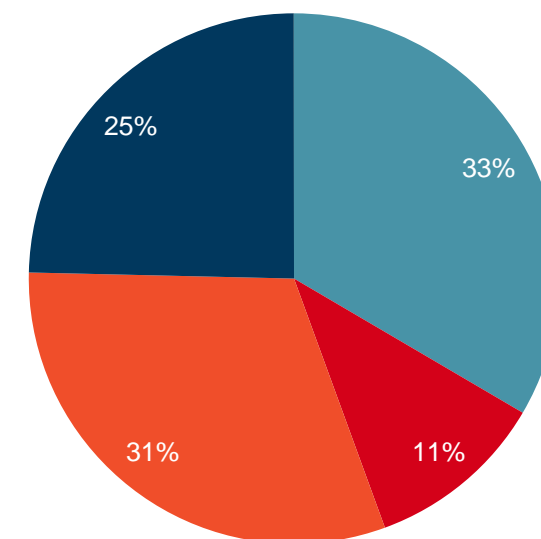
Topped prior year record by circa \$1.2billion  
9.5% CAGR over past 10 years

# CONTINUED CORPORATE GROWTH GLOBALLY

By TTV FLT's corporate business has grown at a 16.11% CAGR over the past decade & is now 4.5x the size it was 10 years ago

Segment	FY20 1H TTV	% of Corp TTV	FY10 1H TTV	% of Corp TTV	CAGR
Americas	\$1.65b	33%	\$147.6m	13%	27.28%
Australia/NZ	\$1.52b	31%	\$640m	58%	9.07%
EMEA	\$1.21b	25%	\$272.4m	25%	16.11%
Asia	\$541m	11%	\$44.9m	4%	28.27%
Other	\$0.75m	0	\$1.3m	0	
Total	\$4.9b	N/A	\$1.1b	N/A	16.11%

## CORPORATE TTV CONTRIBUTION BY REGION (1H FY20)



■ Americas ■ Asia ■ ANZ ■ EMEA ■ Other

# \$102.7M UNDERLYING PBT

Slightly above mid-point of 1H guidance (\$90m-\$110m)

Compares to \$140.4m underlying PBT achieved in superior trading conditions during FY19 1H

\$63.9m in non-recurring 1H adjustments during FY20 leading to \$38.8m statutory PBT

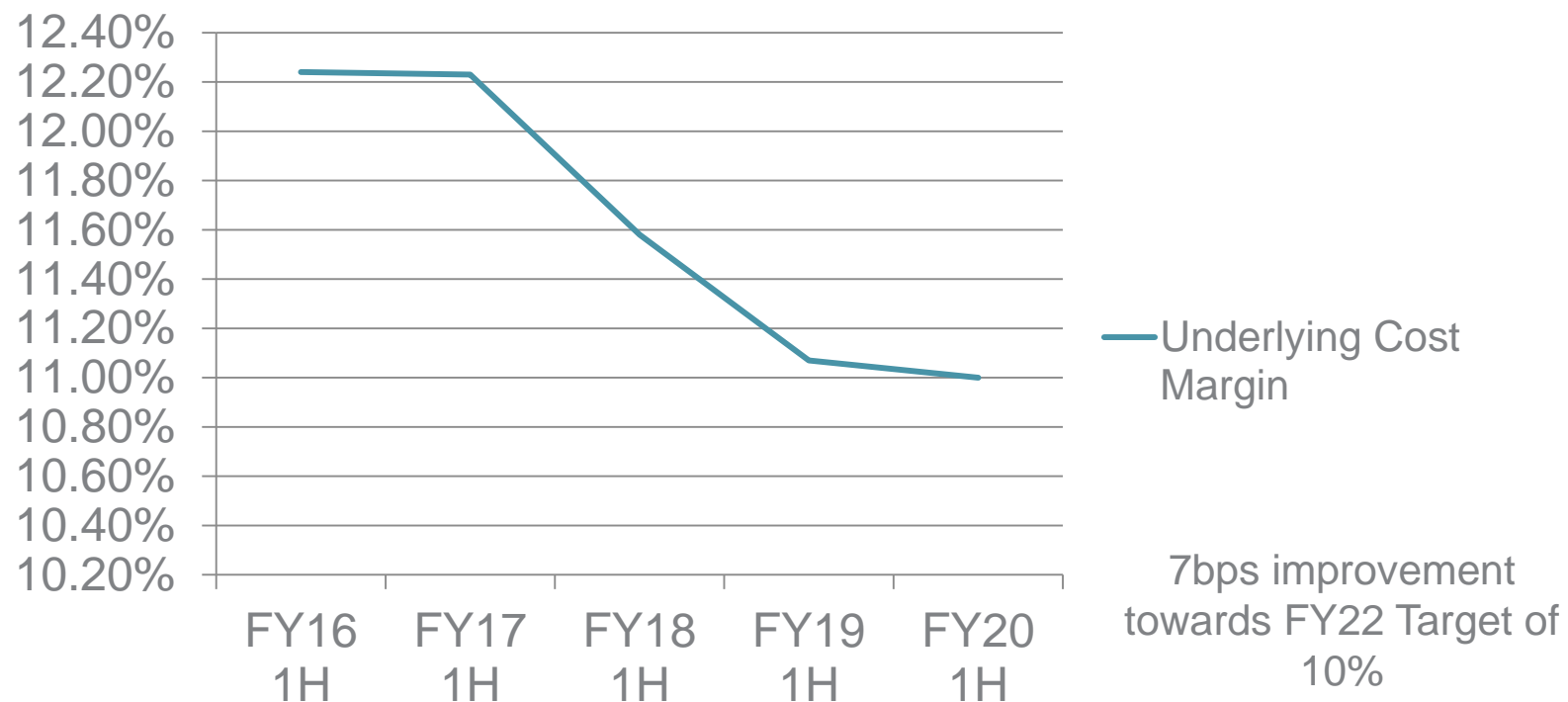
Record 1H contributions from South Africa, Middle East & Singapore businesses, plus EMEA segment

# 1H MOVEMENT IN UNDERLYING SEGMENT PBT

Segment	1H Movement in Underlying Segment PBT (\$AU)	Contributing Factors
Other	(\$18m)	<ul style="list-style-type: none"> <li>• Poor results from in-destination businesses</li> <li>• \$5million interest swing (lower yields, lower cash balance following record FY19 dividend returns, interest payments on new debt facilities)</li> <li>• Timing – additional consultancy fees incurred relating to projects initiated during FY19 2H</li> </ul>
Australia/NZ	(\$17m)	<ul style="list-style-type: none"> <li>• Challenging leisure &amp; corporate trading cycle</li> <li>• Circa US\$5m in additional wage costs (EBA) in Australian leisure business</li> <li>• Lower leisure revenue margin – gross margin recovery but flat TTV in established leisure businesses impacting back-end margin</li> </ul>
Americas	(\$9m)	<ul style="list-style-type: none"> <li>• Soft leisure results across region, more than offsetting corporate profit growth</li> <li>• Circa \$5m adverse impact on US leisure business from DR safety concerns</li> <li>• Back-end margin decline in Canada, given soft leisure growth</li> </ul>
Asia	(\$1m)	<ul style="list-style-type: none"> <li>• Largely reflects movement in India profit</li> </ul>
EMEA	\$7m	<ul style="list-style-type: none"> <li>• Growth driven by South Africa, UAE and France-Switzerland businesses</li> <li>• Brexit impact in UK</li> <li>• Losses from FCM Germany start-up, but improvement year-on-year</li> </ul>
<b>Total</b>	<b>(\$38m)</b>	

# IMPROVED COST MARGIN

## 11% Underlying Cost Margin



Underlying cost margin excludes touring cost of sales

# PROFIT & LOSS

AUD \$'m	1H FY20	1H FY19	Mvmt %
<b>Group TTV</b>	<b>12,399</b>	<b>11,155</b>	<b>11.2%</b>
Operating revenue	1,546	1,462	5.8%
<b>Total revenue</b>	<b>1,546</b>	<b>1,462</b>	<b>5.8%</b>
Other income	12	20	(38.9%)
Share of JV/Associates	(4)	2	(310.1%)
Employee benefits	(822)	(758)	(8.4%)
Marketing expense	(113)	(95)	(19.2%)
Tour operations	(98)	(93)	(4.8%)
D&A	(113)	(41)	(176.8%)
Finance costs	(21)	(11)	(93.4%)
Impairment	(46)	(24)	(100.0%)
Other expenses	(303)	(334)	9.3%
<b>PBT</b>	<b>39</b>	<b>127</b>	<b>(69.5%)</b>
<b>Underlying PBT</b>	<b>103</b>	<b>140</b>	<b>(26.9%)</b>
EPS (cents)	21.8	84.1	(74.1%)
Underlying EPS (cents)	80.7	100.1	(19.4%)
Sales teams	2,837	2,821	0.6%
<b>Margins</b>			
Underlying revenue margin	12.47%	13.10%	(63 bps)
Underlying PBT Margin	0.83%	1.26%	(43 bps)
Underlying expense margin*	(11.00%)	(11.07%)	7 bps
Marketing % TTV	0.91%	0.85%	6 bps

\*excluding Touring & Hotel Cost of Sales

## TTV

- Strong growth across all regions leading to record \$12.4million TTV – 11.2% increase
- TTV growth across both Corporate (17%) and Leisure (6.5%) businesses

## Costs

- Circa \$160m growth in actual 1H costs, but growth clouded by FX on translation, acquisition impact, AASB 16 adoption
- Circa \$58m increase at like-for-like exchange rates & excluding non-recurring items (as outlined in accompanying table)

## Profit

- Year-on-year movement reflects challenging trading cycle + other internal factors (underperformance in some businesses, timing factors, lower revenue margins)
- \$5m adverse impact from lower interest yields and interest expense on debt facilities that were not in place in the PCP
- Underlying PBT differs to statutory PBT due to:
  - \$46.1m impairment charge raised against Touring businesses;
  - \$7.1m impact of supplier collapse;
  - \$5.4m in Upside costs;
  - \$3.1m fair value loss on change in control of Ignite; and
  - \$2.1m loss from impact of AASB 16 adoption.

## Margins

- Revenue margin contraction as expected due to strong growth in lower margin businesses – leisure e-commerce, foreign exchange businesses, FCM.
- Together, leisure e-commerce & FX businesses generated almost 20% of 1H TTV.

## COSTS SIGNIFICANTLY IMPACTED BY FX, ONE-OFFs

- Detailed cost analysis below does not include impairment charges or touring cost of sales
- Includes additional EBA impact in Australia of \$5m (July-October)
- Increased sales & marketing activity focused on online brands in Australia & new TV campaign in Canada
- Includes increased costs paid to independent agents, consultancy fees linked to IT, leisure & wholesale projects initiated late in FY19 & tech costs associated with security, infrastructure, storage & software as a service
- Impact of FX relates to translation of overseas businesses to AUD
- Impact of acquisitions relates to costs incurred in businesses acquired (3Mundi, Casto, Ignite)

	HY20	HY19	Mvt (AUD)	Mvt (%)	Impact of FX	Impact of Acquisition	Impact of AASB 16	Supplier Collapse	Underlying Mvt (AUD)	Underlying Mvt (%)
<b>Employee benefits</b>	(822,087)	(758,301)	(63,786)	8.4%	(17,592)	(19,072)	-	-	(27,122)	3.6%
<b>Sales and marketing expense</b>	(112,715)	(94,526)	(18,189)	19.2%	(1,862)	(3,862)	-	-	(12,465)	13.2%
<b>Amortisation and Depreciation</b>	(113,445)	(40,987)	(72,458)	176.8%	(2,361)	(4,790)	(66,329)	-	600	-1.5%
<b>Finance Costs</b>	(21,212)	(10,970)	(10,242)	93.4%	(681)	(137)	(8,414)	-	(1,119)	10.2%
<b>Total Other Expenses</b>	(303,081)	(334,098)	31,017	(9.3%)	(7,478)	(8,632)	72,598	(7,056)	(17,883)	5.4%
<b>Total Expenses</b>	(1,372,540)	(1,238,882)	(133,658)	10.8%	(29,975)	(36,493)	(2,145)	(7,056)	(57,989)	4.7%

# BALANCE SHEET

AUD \$'m	Dec-19	Jun-19	Mvmt %
Cash & cash equivalents	838	1,172	(29%)
Financial assets	100	115	(13%)
Trade & other receivables	586	559	5%
Contract assets	344	356	(3%)
Other current assets	103	105	(1%)
<b>Current assets</b>	<b>1,971</b>	<b>2,308</b>	<b>(15%)</b>
PPE	239	240	(0%)
Intangibles	798	769	4%
Right of use asset	522	-	-
Other non-current assets	171	177	(3%)
<b>Non-current assets</b>	<b>1,731</b>	<b>1,186</b>	<b>46%</b>
<b>Total assets</b>	<b>3,702</b>	<b>3,493</b>	<b>6%</b>
Trade payables & other liabilities	1,340	1,615	(17%)
Lease liability	138	-	-
Borrowings	65	85	(24%)
Provisions	68	55	23%
<b>Current liabilities</b>	<b>1,611</b>	<b>1,755</b>	<b>(8%)</b>
Trade payables & other liabilities	69	128	(46%)
Lease liability	416	-	-
Borrowings	150	100	49%
Provisions	49	48	2%
<b>Non-current liabilities</b>	<b>683</b>	<b>276</b>	<b>148%</b>
<b>Total liabilities</b>	<b>2,294</b>	<b>2,031</b>	<b>13%</b>
<b>Net assets</b>	<b>1,408</b>	<b>1,462</b>	<b>-4%</b>
General cash	187	337	-44%
General investments	18	16	12%
Client cash	651	836	(22%)
Client investments	83	100	(17%)
<b>Total cash &amp; investments</b>	<b>938</b>	<b>1,288</b>	<b>-27%</b>
<b>Net debt</b>	<b>(10)</b>	<b>167</b>	<b>-106%</b>

## 1H Analysis

- Adoption of AASB 16 impacted Right of Use Assets (\$522m); current lease liabilities (\$138m) and non-current lease liabilities (\$416m).
- Cash & cash equivalents lower than June balance – reflects normal, seasonal trading cycle.
- Reduction in trade & other payables from June brought about by timing of supplier payments including BSP.
- Increase in borrowings to fund Ignite, LDV and Unmapped final acquisition payments.



# CASH FLOW

AUD \$'m	1H FY20	1H FY19	Mvmt %
<b>Operating activities</b>			
Operating activities before interest and tax	(77)	(129)	40%
Net interest and tax paid	(59)	(67)	12%
<b>Cash flow from operating activities</b>	<b>(136)</b>	<b>(196)</b>	<b>30%</b>
<b>Investing activities</b>			
Acquisitions	(8)	(33)	76%
Purchases of PPE and intangibles	(71)	(51)	(39%)
Net proceeds from sale of financial assets	15	20	(24%)
Other investing cash flows	-	1	(100%)
<b>Cash flow from investing activities</b>	<b>(64)</b>	<b>(63)</b>	<b>(1%)</b>
<b>Financing activities</b>			
Other financing activities	31	(5)	718%
Payment of principal on lease liability	(73)	-	(100%)
Dividends paid	(99)	(108)	8%
<b>Cash flow from financing activities</b>	<b>(141)</b>	<b>(113)</b>	<b>(25%)</b>
<b>Increase/(decrease) in cash held</b>	<b>(341)</b>	<b>(372)</b>	<b>8%</b>
FX impact	5	4	19%
<b>Cash and cash equivalents</b>	<b>836</b>	<b>905</b>	<b>(8%)</b>
	<b>As at Dec 19</b>	<b>As at Dec 18</b>	
General cash (excl. Investments)	187	284	(34%)
Client cash	651	623	5%
Bank overdraft	(2)	(1)	(40%)
<b>Total cash</b>	<b>836</b>	<b>905</b>	<b>(8%)</b>

## 1H Analysis

- Adoption of AASB 16 improved operating cash flows by \$73 million (operating lease payments now shown in Cash Flows From Financing Activities)
- Other cash flow movements in line with first-half seasonality
- In line with normal seasonality, strong growth in cash holdings in January, with total cash increasing to \$1.2b at January 31, 2020

# SEGMENT RESULT: AUSTRALIA–NZ

AUD \$'m	HY20	HY19	Mvmt %
<b>TTV</b>	6,318	5,982	6%
<b>External Revenue</b>	769	747	3%
<b>Other Income</b>	4	5	(8%)
<b>Share of Associate</b>	0	-	14%
<b>Costs</b>	(726)	(677)	(7%)
<b>PBT</b>	47	74	(36%)
<b>PBT (underlying)</b>	56	73	(23%)
<b>Sales staff</b>	8,334	8,409	(1%)
<b>Sales teams</b>	1,624	1,668	(3%)
<b>TTV / total staff (\$'000)</b>	641	585	9%
<b>Margins</b>			
<b>Revenue Margin</b>	12.18%	12.48%	(31 bps)
<b>Cost Margin</b>	(11.49%)	(11.32%)	(17 bps)
<b>PBT Margin</b>	0.75%	1.24%	(49 bps)

## AUSTRALIA

- Record TTV in subdued trading cycle – growth in leisure and corporate sectors.
- Emerging leisure brands and channels driving market-share gains, but not materially driving profit.
- Modest growth in Flight Centre brand TTV – achieved with fewer sales staff.
- Record corporate TTV but modest growth on PCP – heavy 2H weighting anticipated, given pipeline of account wins, but now likely to be impacted by coronavirus.
- Automation leading to productivity enhancements.

## NEW ZEALAND

- Record TTV in leisure and corporate sectors (high market-share).
- Expansion into new sectors – B2B wholesale and ready-made packages.
- Expanding successful satellite leisure model to target new regional locations.

# SEGMENT RESULT: AMERICAS

AUD \$'m	HY20	HY19	Mvmt %
<b>TTV</b>	2,827	2,456	15%
<b>External Revenue</b>	332	291	14%
<b>Other Income</b>	6	4	73%
<b>Share of Associate</b>	(0)	(1)	(69%)
<b>Costs</b>	(316)	(261)	(21%)
<b>PBT</b>	22	33	(33%)
<b>PBT (underlying)</b>	24	33	(26%)
<b>Sales staff</b>	2,595	2,649	(2%)
<b>Sales teams</b>	435	451	(4%)
<b>TTV / total staff (\$'000)</b>	771	700	10%
<b>Margins</b>			
<b>Revenue Margin</b>	11.73%	11.83%	(10 bps)
<b>Cost Margin</b>	(11.18%)	(10.64%)	(55 bps)
<b>PBT Margin</b>	0.77%	1.33%	(56 bps)

## USA

- Record TTV – again driven by corporate businesses – and second strongest 1H profit result (although down on PCP)
- Strong pipeline of corporate account wins, including two Fortune 100 companies
- Soft leisure results during seasonally slower trading period more than offsetting corporate profit growth
- \$US5m impact from safety-related Dominican Republic tourism downturn on Liberty leisure and GOGO wholesale businesses
- StudentUniverse performing well & expanding internationally

## CANADA

- Record TTV but profit down compared to PCP
- Similar trends to USA – corporate businesses driving overall TTV growth and delivering record profit, but bottom-line growth more than offset by increased leisure losses
- Independent (home-based leisure) business performing strongly

# SEGMENT RESULT: EMEA

AUD \$'m	HY20	HY19	Mvmt %
<b>TTV</b>	1,916	1,595	20%
<b>External Revenue</b>	249	211	18%
<b>Other Income</b>	6	6	0%
<b>Share of Associate</b>	-	1	(100%)
<b>Costs</b>	(210)	(178)	(18%)
<b>PBT</b>	45	39	14%
<b>PBT (underlying)</b>	46	39	17%
<b>Sales staff</b>	2,336	2,303	1%
<b>Sales teams</b>	482	486	(1%)
<b>TTV / total staff (\$'000)</b>	601	524	15%
<b>Margins</b>			
<b>Revenue Margin</b>	12.98%	13.24%	(26 bps)
<b>Cost Margin</b>	(10.97%)	(11.18%)	21 bps
<b>PBT Margin</b>	2.34%	2.46%	(12 bps)

## UNITED KINGDOM

- Record TTV – slightly above PCP - despite Brexit uncertainty
- Successful cost focus – 1.5% increase in expenses in local currency
- Strong SME corporate results from Corporate Traveller & Flight Centre Business Travel (part of leisure business)

## EUROPE

- Strong TTV and profit contribution - driven predominantly by FCM France, Switzerland
- TTV growth from FCM Germany in second year – starting to win large & prestigious accounts
- Small Ireland business performing well in corporate & leisure sector
- Platform in place to drive future growth in corporate travel market that is similar in size to Americas – equity presence in 10 countries

## SOUTH AFRICA

- Strong performance – record profit and TTV
- Solid corporate and leisure growth
- Leisure online business growing strongly from small base & now profitable (generating circa 5% of leisure TTV in RSA)

## UAE

- Record results – solid growth in both TTV and profit

# SEGMENT RESULT: ASIA

AUD \$'m	HY20	HY19	Mvmt %
<b>TTV</b>	1,187	885	34%
<b>External Revenue</b>	49	46	8%
<b>Other Income</b>		1	(43%)
<b>Costs</b>	(47)	(43)	(10%)
<b>PBT</b>	3	4	(34%)
<b>PBT (underlying)</b>	3	4	(24%)
<b>Sales staff</b>	1,417	1,330	7%
<b>Sales teams</b>	241	206	17%
<b>TTV / total staff (\$'000)</b>	623	493	26%
<b>Margins</b>			
<b>Revenue Margin</b>	4.17%	5.20%	(103 bps)
<b>Cost Margin</b>	(3.99%)	(4.86%)	87 bps
<b>PBT Margin</b>	0.21%	0.43%	(22 bps)

## Greater China & Singapore

- Record TTV & profit contribution in challenging 1H climate
- Strong FCM results, highlighted by record profit & 10% TTV growth across the region
- 1H China results impacted by US-China Trade War & backlash from HK unrest

## INDIA

- Record TTV – up 51% - during period of significant investment
- Strong 1H growth in FX business (TTV up 69%) – new Travel Money card launched
- MICE business TTV up 32% & solid future prospects
- Client wins driving Corporate Traveller TTV growth (up 16%)

# SEGMENT RESULT: OTHER

AUD \$'m	HY20	HY19	Mvmt %
<b>TTV</b>	150	238	(37%)
<b>External Revenue</b>	147	167	(12%)
<b>Other Income</b>	(5)	5	(198%)
<b>Share of JV</b>	(4)	1	(348%)
<b>Costs</b>	(216)	(196)	(10%)
<b>PBT</b>	(78)	(22)	(249%)
<b>PBT (underlying)</b>	(26)	(8)	(216%)
<b>Margins</b>			
<b>Revenue Margin</b>	98%	70%	2,816 bps
<b>Cost Margin</b>	(145%)	(82%)	(6,214 bps)
<b>PBT Margin</b>	(52%)	(9%)	(4,269 bps)

- Reduced TTV & profit contribution in challenging 1H climate
- FLT's Global areas, along with The Travel Group (TTG) businesses (Touring, Hotel Management and DMC)
- Difference between statutory and underlying PBT due to Touring impairment (\$46.1m), investment in Upside (\$5.4m) and changes to Ignite fair value (\$3.1m)
- Movement in underlying PBT impacted by increase in net interest expense, underperformance in the Touring business and consulting costs associated with the Global Technology review and transformation project.



# CORPORATE STRATEGY UPDATE

CHRIS GALANTY



# CORPORATE: BUSINESS OVERVIEW

## Unique Approach

Only large TMC with two brands, each with different models & offerings & delivering scalable, organic growth

## Winning Blend of Tech & People

Market leading technology coupled with award winning people in large market (FCM) & SME (Corporate Traveller) spaces – a compelling customer proposition

## Global Reach

One of few TMCs capable of winning & managing large, enterprise, global accounts

## Full Content Suite

Widest choice of air & land content – globally negotiated & distributed deals – for customers, online & offline

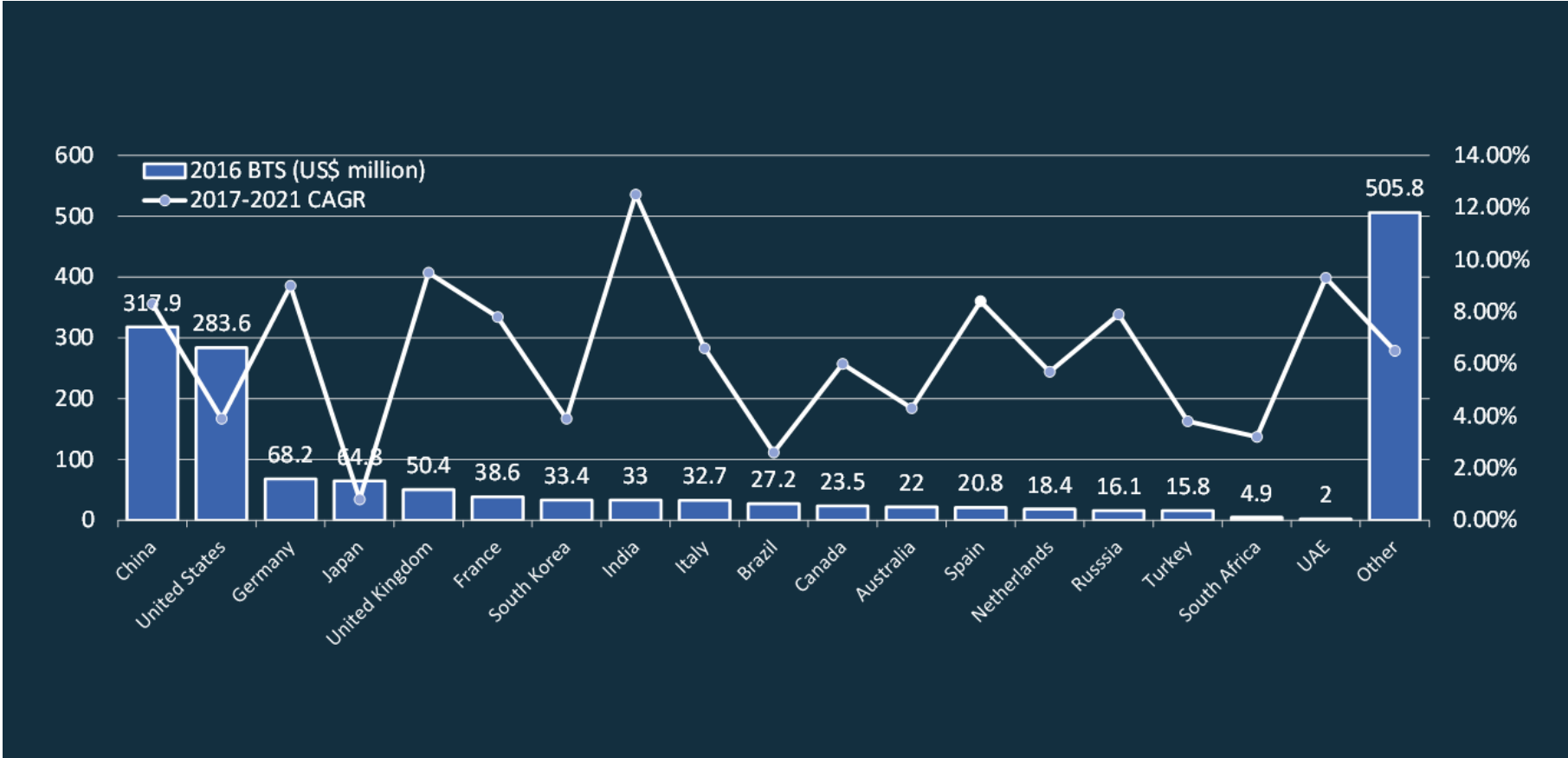
## Strong Future Growth Prospects

Well placed to capitalise in a large, highly fragmented & growing global sector





# \$US1.5 TRILLION ADDRESSABLE MARKET



FLT one of the world's largest TMCs but has <1% market-share (based on ABTA data)



# UNIQUE TWO BRAND APPROACH



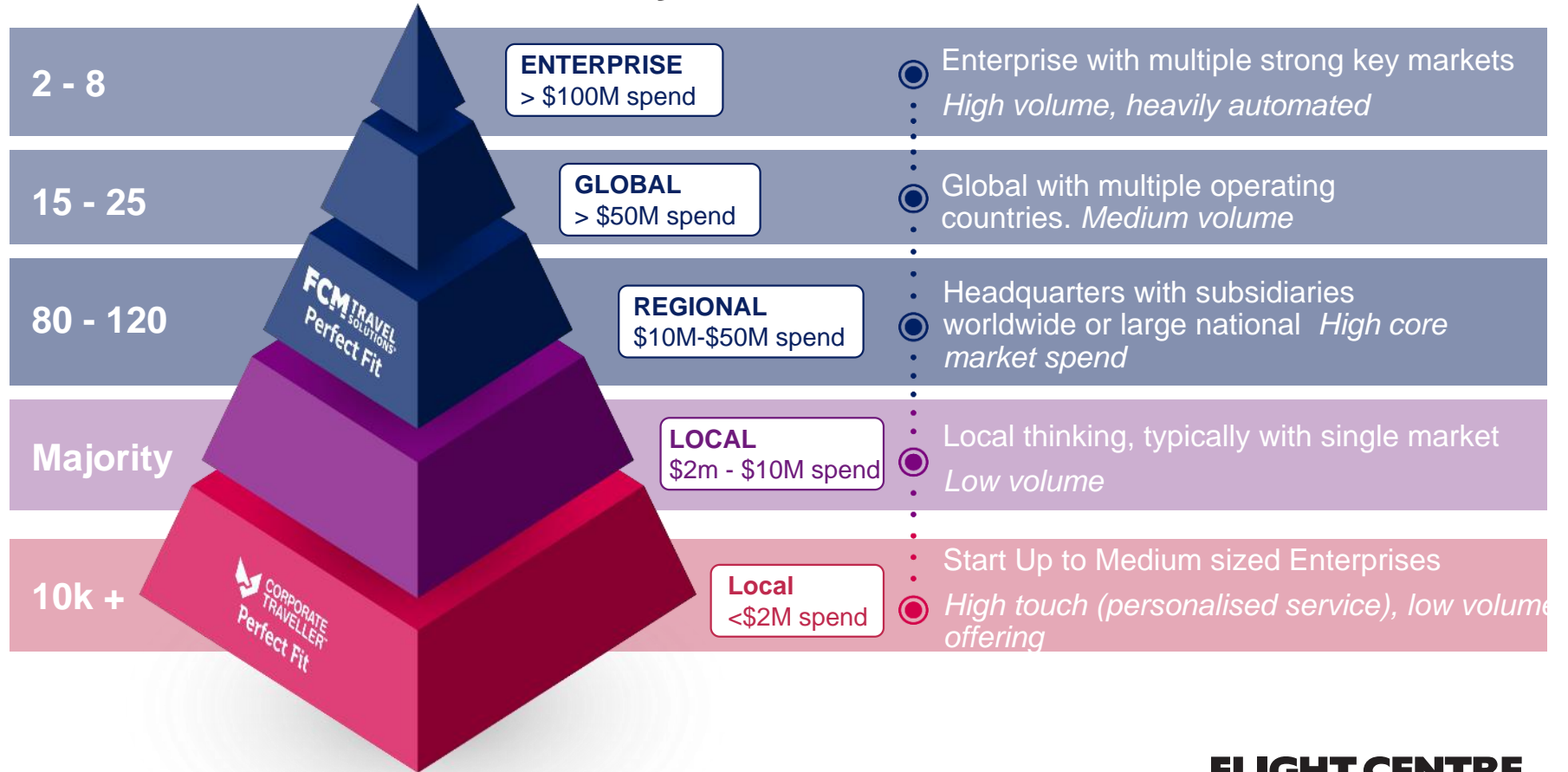
**FCM** TRAVEL  
SOLUTIONS™

 **CORPORATE  
TRAVELLER™**

# FLT'S MARKET POSITION

## Number of Customers Today

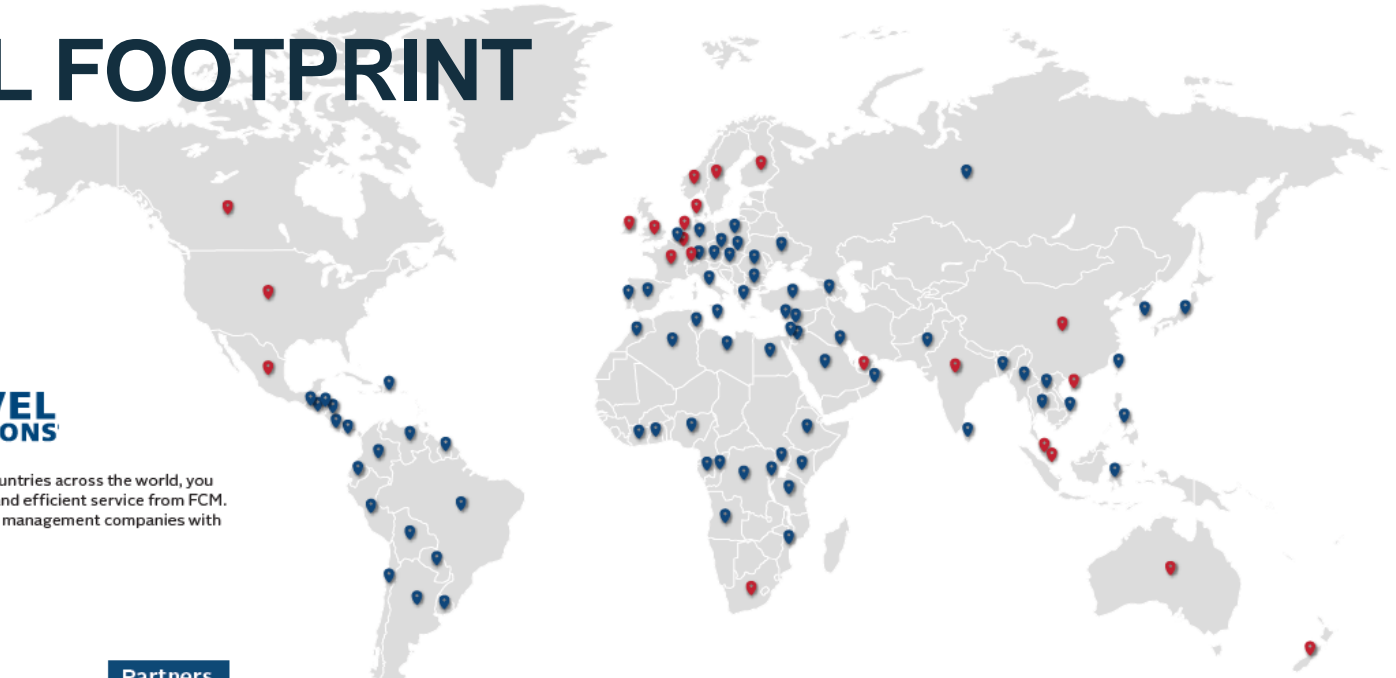
## Customer Characteristics



# GLOBAL FOOTPRINT



With a presence in more than 95 countries across the world, you are never far away from a friendly, and efficient service from FCM. We are one of the only global travel management companies with a true 24/7 worldwide reach.



## Equity

- Asia**
- China
- Hong Kong
- India
- Malaysia
- Singapore
- Middle East & Africa**
- UAE
- South Africa
- Latin America**
- Mexico
- North America**
- Canada
- USA
- Europe**
- Denmark
- Finland
- France
- Germany
- Ireland
- Netherlands
- Norway
- Sweden
- Switzerland
- United Kingdom
- Pacific**
- Australia
- New Zealand

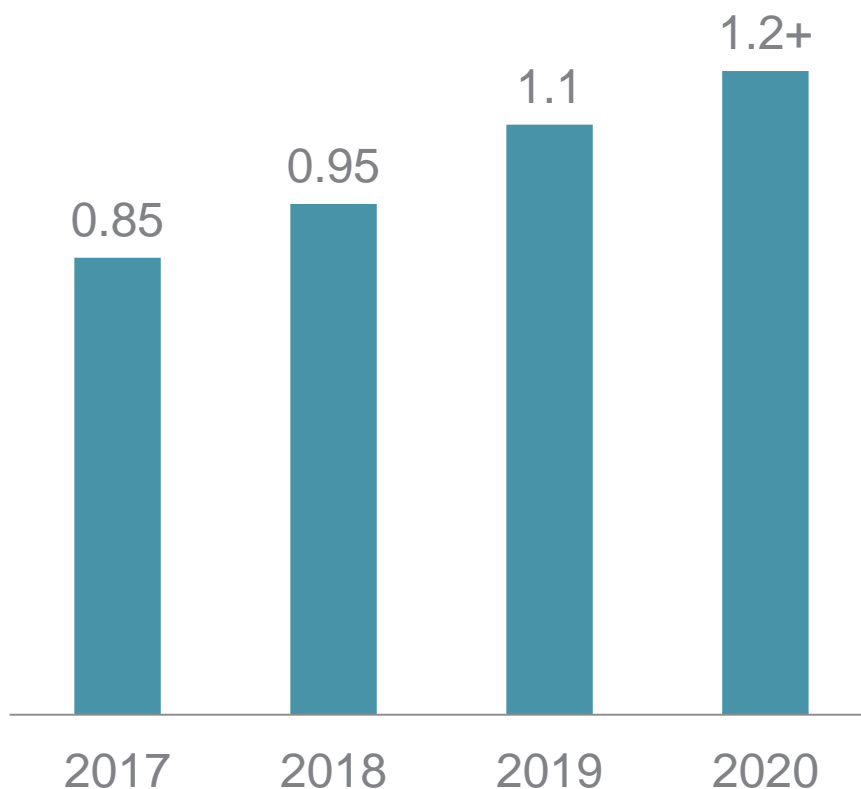
## Partners

- Africa**
- Algeria
- Angola
- Democratic Republic of Congo
- Egypt
- Ethiopia
- Gabon
- Ghana
- Ivory Coast
- Kenya
- Libya
- Morocco
- Mozambique
- Nigeria
- Republic of Congo
- Rwanda
- Tanzania
- Tunisia
- Uganda
- Asia**
- Azerbaijan
- Bangladesh
- Indonesia
- Japan
- Kazakhstan
- Laos
- Myanmar
- Pakistan
- Philippines
- South Korea
- Sri Lanka
- Taiwan
- Thailand
- Vietnam
- Middle East**
- Jordan
- Kuwait
- Lebanon
- Oman
- Qatar
- Saudi Arabia
- Latin America**
- Argentina
- Bolivia
- Brazil
- Chile
- Colombia
- Costa Rica
- Nigeria
- Dominican Republic
- Ecuador
- El Salvador
- Guatemala
- Honduras
- Nicaragua
- Panama
- Paraguay
- Peru
- Suriname
- Uruguay
- Venezuela
- Europe**
- Austria
- Belgium
- Bulgaria
- Cyprus
- Czech Republic
- Greece
- Hungary
- Israel
- Italy
- Luxembourg
- Malta
- Poland
- Portugal
- Romania
- Russia
- Slovakia
- Spain
- Turkey
- Ukraine



# FCM SALES PERFORMANCE YTD JAN 2020

■ New Business Wins (\$USb)



**\$US940m In New Account Wins YTD**

TOP 6	FY20 (USD)
US Based	200,000,000
US Based	94,000,000
DE Based	40,000,000
FR Based	30,000,000
Asia Based	20,000,000
Asia Based	17,000,000



# CORPORATE TRAVELLER KEY PRIORITIES 2020

Consistent **SME** only focus

Hyper investment in **sales & marketing**

Launch of **DBX mobile-first, traveller-first platform** in US, CA and UK

Deployment of **robotics** layer to increase **productivity & enhance customer service**

Widest choice of **content for customers**



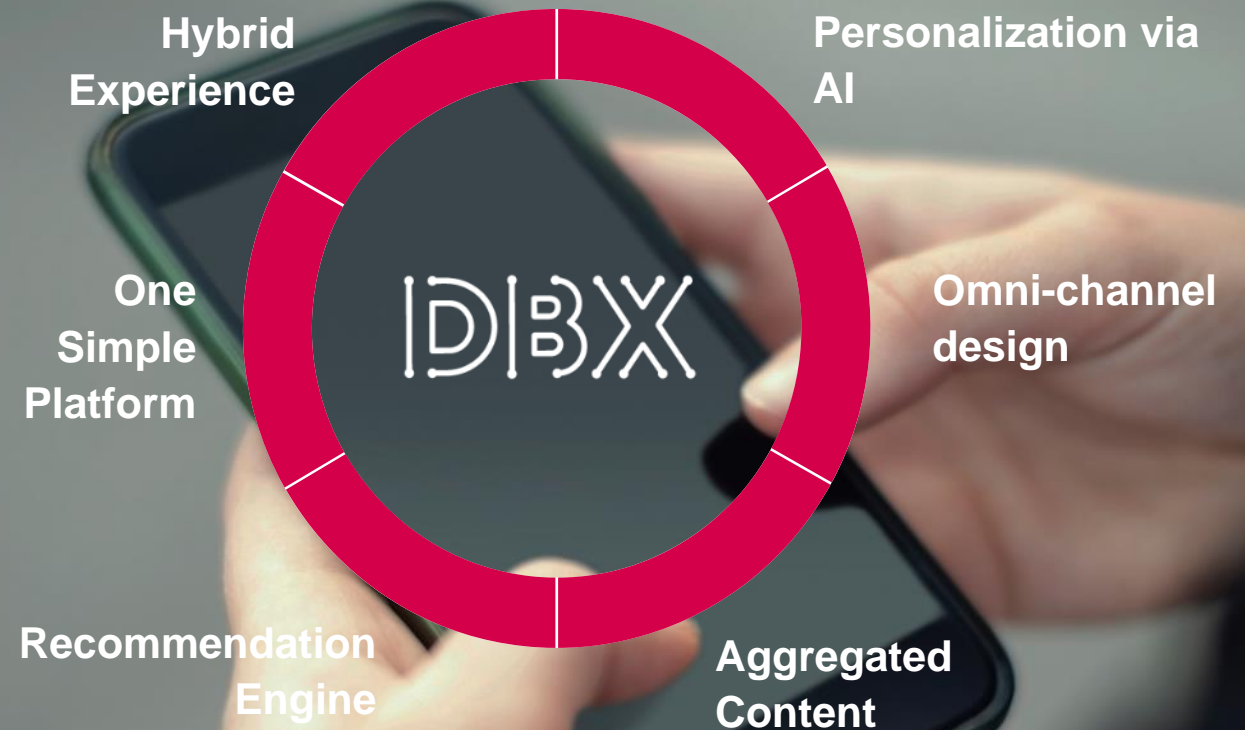
# CORPORATE TRAVELLER STRATEGIC INITIATIVES

**Care Uplifted**, our new strategic theme, highlighting the expertise of our people fused with cutting edge technology

**Launch** of the DBX platform that powers Care Uplifted in the US by June, Canada and United Kingdom to follow

**Business transformation** process is underway to integrate the technology

**MyCT** initiative to help augment the expertise of our people with a true CRM



# FCM KEY PRIORITIES 2020

Increase investment in **sales & account management** teams

Global **rebrand** (April 2020)

Increase investment in **market leading technology** product

Launch analytics upgrade to improve **data insights**

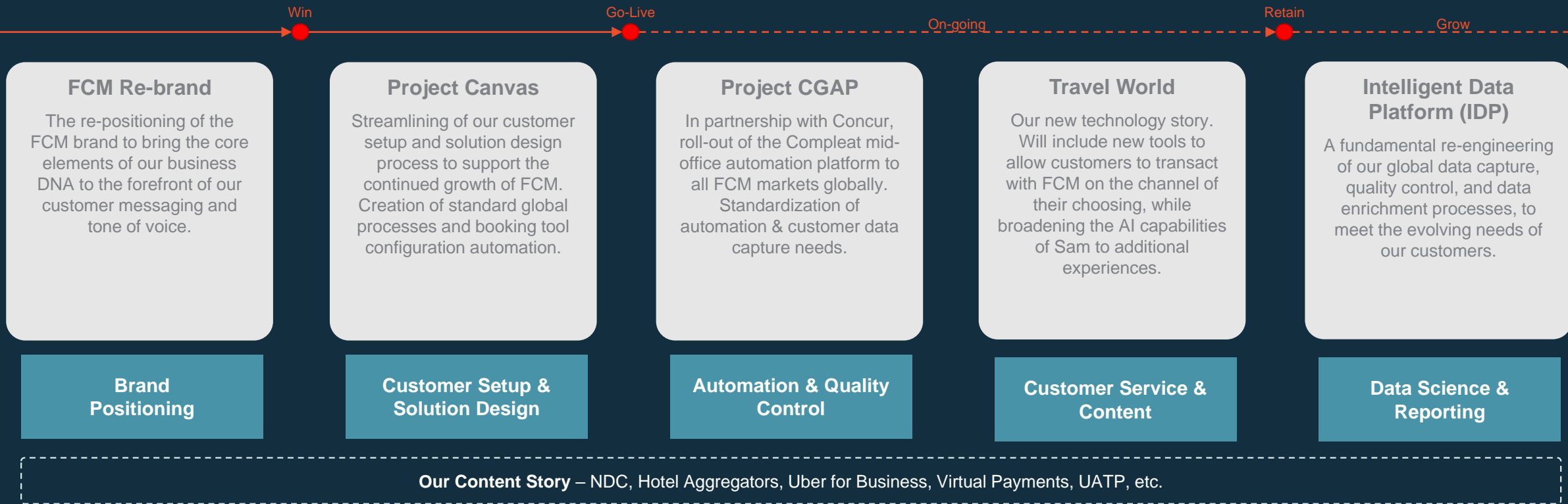
Deployment of robotics layer to increase **productivity & enhance customer service**

Widest choice of **content for customers**





# FCM STRATEGIC INITIATIVES



**FCMLAB**

Business Travel Innovation





# LEISURE STRATEGY UPDATE

MELANIE WATERS-RYAN



# LEISURE: BUSINESS SNAPSHOT

Largest business sector globally in TTV terms

Large scale (mass market) offerings in Australia, NZ & South Africa with leading market-share

Smaller, more specialised offerings in USA, Canada, UK & India

Omni/Multi-channel offerings with a diverse range of brands & models including shops (flagship & community), online, contact centres, events, home-based & ready-made

Growing share through new/emerging models, including B2B

TTV generally at record levels but not currently translating to profit growth in challenging trading cycle

Ongoing transformation focus – dedicated & upgraded transformation office in place – to proactively address any structural challenges & help fast-track growth in winning models



# LEISURE TTV GROWTH DURING TRANSFORMATION

Established Australia, NZ & South Africa businesses delivering solid TTV growth

Emerging/low cost models now materially influencing TTV growth in Australia but not yet driving profit growth

Australia Flight Centre brand TTV flat with fewer sales staff compared to PCP, pointing to productivity gains

Challenges in North America during seasonally softer trading period, TTV adversely affected by DR issues

B2B TTV currently small but good future growth prospects

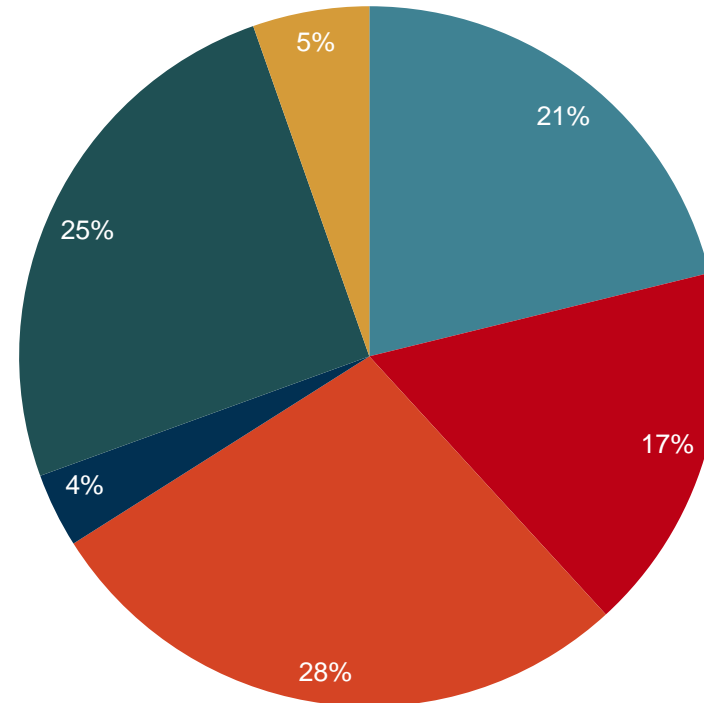
Strong e-commerce growth globally – record \$880m in online leisure TTV during 1H



# STRONG LEISURE E-COMMERCE GROWTH

46.5% TTV growth to \$880m during 1H

■ BYOjet ■ Aunt Betty ■ StudentUniverse ■ Other Online ■ FC.com.au ■ Travel Money



Growth predominantly driven by:

- Jetmax + 59.6%
- flightcentre.com.au +54%
- StudentUniverse + 19%



# LEISURE: CURRENT CHALLENGES

## Lack of Scale (emerging businesses)

- Emerging businesses fast becoming meaningful contributors to group results but further investment required to scale & grow these quickly
- Further M&A activity possible

## Internal disruption

- System changes, new wage model, brand rationalisation & productivity programs over past few years have not had the stable environment to deliver planned outcomes in light of suppressed demand & upheaval

## Poor Trading Cycle

- Low consumer confidence, leading to softer than normal market growth
- World events such as the DR issues and now COVID-19 have affected our major leisure businesses more so than ongoing BAU

## Under- performance

- Lack of TTV growth from Flight Centre shop network in Australia
- In-store (gross) margin recovery but lack of TTV growth having flow-on effect to back-end margin (over-rides) & revenue
- Modest cost increases but in low revenue environment – leading to reduced profit



# LEISURE: PROACTIVELY TACKLING CHALLENGES

## Longer Term Review Underway

- Evaluating current businesses & all recent leisure moves to cement & refine choices as to our winning moves over the next 5-10 years
- Will determine the best capital allocation for investment based on customer, market & FLT momentum cases
- Materiality, ROIC, net margin potential & growth capability determining choices

## Transformation Office in Place

- Upgraded & fully resourced transformation office in place & focussed on large Australian leisure business
- Ensuring process, discipline, accountability & reporting
- Cash/value focus

## Building on Previous Works

- Significant body of work already deployed & helping to shape future strategic choices
- Progress hampered by cyclical headwinds in many key markets (consumer confidence), regional events (Dominican Republic) & now COVID-19





# LEISURE: TRANSFORMATION FOCI TO DATE



# LEISURE: STRATEGIC INITIATIVES

## FOCUS ON WINNING MODELS



1. **Standalone Online Brands** – BYOjet, Aunt Betty, StudentUniverse



2. **Multichannel Flight Centre brand offerings**






3. **Home-based/Independent contractor model and ready-made packages**



4. **Leisure B2B growth**

# LEISURE: STRATEGIC INITIATIVES

Initiative	Objective	Outcome
 <b>1. Standalone online brands</b>		
 	Rapid growth in single channel Leveraging metasearch growth	<ul style="list-style-type: none"> <li>Delivering strong top &amp; bottom-line growth</li> <li>Circa 60% TTV growth globally during 1H</li> <li>90% profit growth</li> </ul>
	Global online youth brand	<ul style="list-style-type: none"> <li>30%+ 1H profit growth</li> <li>Australia start-up on track to deliver \$50m-\$60m in TTV during FY20</li> </ul>

# LEISURE: STRATEGIC INITIATIVES

Initiative	Objective	Outcome
 <b>2. Multichannel FCB offerings</b>		
Australia, NZ, South Africa, Canada	Greater convenience/choice for customers, channel focused on commoditised product	<ul style="list-style-type: none"> <li>• Rapid &amp; profitable growth in online TTV during 1H:</li> <li>• +54% in Australia</li> <li>• +10% in NZ</li> <li>• South Africa TTV almost doubled (off small base)</li> </ul>



# LEISURE: STRATEGIC INITIATIVES

Initiative	Objective	Outcome
 <b>3. Investment in new models</b>		
<ul style="list-style-type: none"> <li><b>Home-based / Independent Contractor</b></li> </ul>	<ul style="list-style-type: none"> <li>Trial within the FLT brand portfolio</li> <li>Capture share of growing global market</li> <li>Leverage growing social trend for flexible work</li> <li>Develop a new &amp; productive model</li> </ul>	<ul style="list-style-type: none"> <li>Strong growth trends</li> <li>Businesses acquired in Australia (Travel Partners) &amp; NZ (Travel Managers) to complement organically grown businesses &amp; recent start-ups</li> <li>More than \$200m in 1H TTV from Travel Managers, Travel Partners, Associates (South Africa) and Independent (Canada) businesses</li> </ul>
<ul style="list-style-type: none"> <li><b>Ready-made packages</b></li> </ul>	<ul style="list-style-type: none"> <li>Leverage product model into core Flight Centre brand business</li> </ul>	<ul style="list-style-type: none"> <li>Ignite business now 100% owned</li> <li>FC Exclusives range deployed</li> <li>MyHolidays expansion</li> </ul>

# READY-MADE PACKAGES

- Rapidly growing travel category
- Ignite business on track to deliver about \$250m (annualised) in FY20 TTV
- Highly productive model
- MyHolidays readymade package range to be made available through Flight Centre brand in Australia
- MyCruise brand performing strongly – TTV doubling
- Replacing TTV lost in some market segments following FY18 brand closures



Advertisement brought to you by MyCruises

### 3 BIG REASONS WHY THIS IS THE BEST ROCKIES & ALASKA HOLIDAY EVER

*"If you want the best BUT WITH SO MANY DEALS OUT THERE - HOW DO YOU KNOW WHICH IS THE RIGHT WAY TO EXPERIENCE THIS BUCKET-LIST DESTINATION?"*

Unlike other deals, My Cruises combine convenience, hand-picked experiences and the peace-of-mind needed to fully relax into the spectacular Rockies.

Amongst everything from guaranteed departures right through to flying - this is without a doubt the best way to experience this magnificent region!

**1. VISIONARY CRUISING**  
Customised for guests to feel immersed in the incredible Alaskan outdoors, Norwegian Joy is the premium Alaskan cruise vessel. The dome-controlled Observation Lounge is your own theatre-esque viewing platform to otherworldly ice-capped wonders. Courtesy of My Cruises your upgrade to mid-ship staterooms allows for smooth cruising over 7 awe-inspiring nights at no extra cost!

**2. IMMERSIVE TOURS & EXPLORATION**  
With ice crouching beneath your boots, explore the Canadian Rockies and discover vast, mirror-like lakes, before retreating to hand-picked hotels in great locations across 7 nights, with 2 nights in both Banff National Park and Jasper National Park. Your leisurely tour includes all main attractions plus, local guides and a dedicated Tour Director providing local insights the whole way.

**3. DRINKS & FLIGHTS & EVERYTHING IN-BE-TWEEN**  
Not only how My Cruises pre-paid your gratuities taking away any hassles or hidden costs on your trip, we've also set you up with the Ultimate Beverage Package worth up to \$2000 onboard your cruise. We've included the best and most direct connections available on full-service carriers making sure you travel in comfort ready to jump straight into the amazing holiday.

Featuring the very best of the destination on an unbeatable value, this exclusive holiday simply blows all others out of the water.

Many available for a limited time only. Call 1300 924 585

**Natalie Grudziwski | TRAVEL EXPERT**

Discover THE TRUE HEART OF CANADA & ALASKA

Includes: Airfare, Cruise, Hotel, Transport, Insurance, Gratuities, Taxes, and more.

**YOUR 14 NIGHT FLY, TOUR & CRUISE PACKAGE INCLUDES:**

- Full service economy flights to Calgary, returning from Seattle
- 10 day leisurely guided coach tour through the heart of the Canadian Rockies from Calgary to Vancouver
- 8 nights accommodation in hand-selected homes while touring
- Transportation on private deluxe motor coach with services of a Professional Tour Director
- 7 night cruise onboard Norwegian Joy from Seattle in an upgraded Mid-Ship Inside Stateroom
- All meals in complimentary dining venues, selected non-alcoholic beverages, onboard activities & wine tastings
- Port taxes & charges included

**GREAT VALUE UPGRADES:**

- UPGRADE to an Cornerstone Stateroom from only \$300pp
- UPGRADE to a Balcony Stateroom from only \$750pp
- UPGRADE & receive a bonus USD200 shore excursion credit\*

**INCLUDES EXCLUSIVE \$4000 BONUS VALUE**

- FREE Ultimate Beverage Package (instead of USD2000) onboard Norwegian Joy
- BONUS Orientation tour of Banff National Park
- BONUS Visit to Lake Louise
- BONUS Ice Explorer Ride on the Columbia Icefield
- BONUS Orientation tour of Jasper National Park
- BONUS Entry & Sightseeing to Butcher's Gardens
- BONUS Sightseeing tour of Vancouver
- BONUS Coach transfers from Vancouver to Seattle Cruise Port
- BONUS My Cruises exclusive package savings incl an upgrade to Mid-Ship Inside Stateroom
- BONUS Pre-paid gratuities included for your tour & cruise

**NORWEGIAN CRUISE LINE**

14 NIGHT FLY, TOUR & CRUISE

PER PERSON PER NIGHT

FROM \$5690

BOOK BY: 31 Jul 2019 - 10th Apr 2020  
CRUISE DEPARTS ON: 15th May 2020  
CRUISE CODE: MC-1905  
\*Always allow available between May & September. Seachanges may apply.

CALL OUR CRUISE EXPERTS - OPEN 7 DAYS  
CALL 1300 924 585  
VISIT MYCRUISES.COM.AU

**My cruises**  
HAND-PICKED BY MyHolidays

# LEISURE: STRATEGIC INITIATIVES

Initiative	Objective	Outcome
 <b>4. Leisure B2B growth</b>		
<ul style="list-style-type: none"> <li>Proactively target the leisure B2B market</li> </ul>	<ul style="list-style-type: none"> <li>Leverage our core capability in product &amp; distribution to grow TTV externally</li> <li>Provide capability for non-FLT B2C brands</li> </ul>	<ul style="list-style-type: none"> <li>Soft launch of Travel Junction “bed bank” business</li> <li>B2B expansion in New Zealand &amp; other markets</li> </ul>



# LEISURE: 2-SPEED TRANSFORMATION FOCUS

## Speed 1



Spanning core Leisure business & focussing on operational effectiveness

### Focus on Core Australian Leisure Business

- Operational improvements identified
- Plans being executed within flagship Flight Centre brand
- Network optimisation, costs, marketing effectiveness & productivity





# LEISURE: 2-SPEED TRANSFORMATION FOCUS

## Speed 2



Pivots & new models in Leisure focused on emerging & future trends where value in market is shifting

- Fast-Tracking Growth of Winning Models & New Opportunities
- North America and Australia focussed

### Growth Horizons of the Future

Market reviews/competitive analysis/consumer trends

Further brand portfolio alignment

Acceleration & investment in winning models

Tech priorities & investments – rapid expansion of digitisation

Entrepreneurial culture expansion into new models

# GLOBAL TECHNOLOGY TRANSFORMATION

Technology review finalised with Hudson Crossing (travel tech specialist)

Recommendations agreed & now being implemented

Business line technology structure being implemented in each of the new divisions

Corporate / Leisure / Supply each with Chief Product Officers , Chief Technology Officers

Product management discipline

Globalised Shared Services model for core infrastructure / networks, compliance





# OUTLOOK & GUIDANCE

GRAHAM TURNER



# FY20: OUTLOOK

Tracking in line with guidance at December 31, 2019 & well placed to capitalise when trading cycle improves

Corporate businesses delivering consistent & sustainable growth

Ongoing focus on improving leisure profits – translating the solid TTV growth being achieved to the bottom-line, operational efficiency in Flight Centre brand

Considerable uncertainty globally early in 2H – ahead of FLT’s busiest trading period – Coronavirus (COVID-19)

## FY20: COVID-19 IMPACT TO DATE

Virus affecting global travel patterns – particularly in corporate sector

Significant impact on FLT's Greater China & Singapore corporate businesses this month (together generated about 2.5% of group TTV during 1H)

Reduced activity from corporate clients globally – travel policies temporarily amended to prevent travel to China &, in some cases, other destinations (evident from early Feb)

Some leisure travel customers reviewing/reconsidering short-term holiday plans

# COVID-19 IMPACTED AREAS

- Corporate businesses heavily impacted but not material contributors to group results (2.5% of 1H TTV)
- Activity shutdown as part of containment efforts
- Specialist corporate businesses with no exposure to Chinese outbound leisure market
- Some leisure travel customers reviewing/reconsidering short-term holiday plans
- Possible switches to "unaffected" destinations as travellers adapt to current conditions
- Price wars underway to stimulate demand

FLT'S China & Singapore businesses

Global corporate businesses

Global leisure businesses

In-destination businesses

- Significant impact
- While corporate sector is heavily weighted towards domestic travel, Asia is a key corporate hub
- Customers amending travel policies to prevent travel to China and, in some cases, other locations in the near-term
- Impact on Discova DMC in Asia
- Cross Hotels & Resorts - Chinese outbound travellers a key market
- Small businesses that are not material contributors to group results

# FY20: GUIDANCE AMENDED TO REFLECT CURRENT UNCERTAINTY

Initial full year guidance (\$310m-\$350m underlying PBT) predicated on conditions stabilising/ improving late in 1H & early in 2H – ahead of peak booking seasons

Impossible at this stage to reliably quantify COVID-19's impact but will lead to subdued activity throughout remainder of FY20

Guidance amended to underlying PBT between \$240m & \$300m

Bottom of the range based on current conditions continuing through to year-end

Top of the range based on recovery ahead of key fourth quarter booking period

# COVID-19: FLT's RESPONSE

FTL is well placed to weather the challenges posed by COVID-19

Healthy cash position & relatively low debt – peace of mind for customers

Scale & diversity – ability to help clients switch to areas that are not significantly impacted

Drawing on SARS experience from FY03



# PAST EXPERIENCE: THE SARS EFFECT ON TRAVEL

Outbreaks on multiple continents during FY03, high mortality rates compared to COVID-19 but fewer confirmed cases

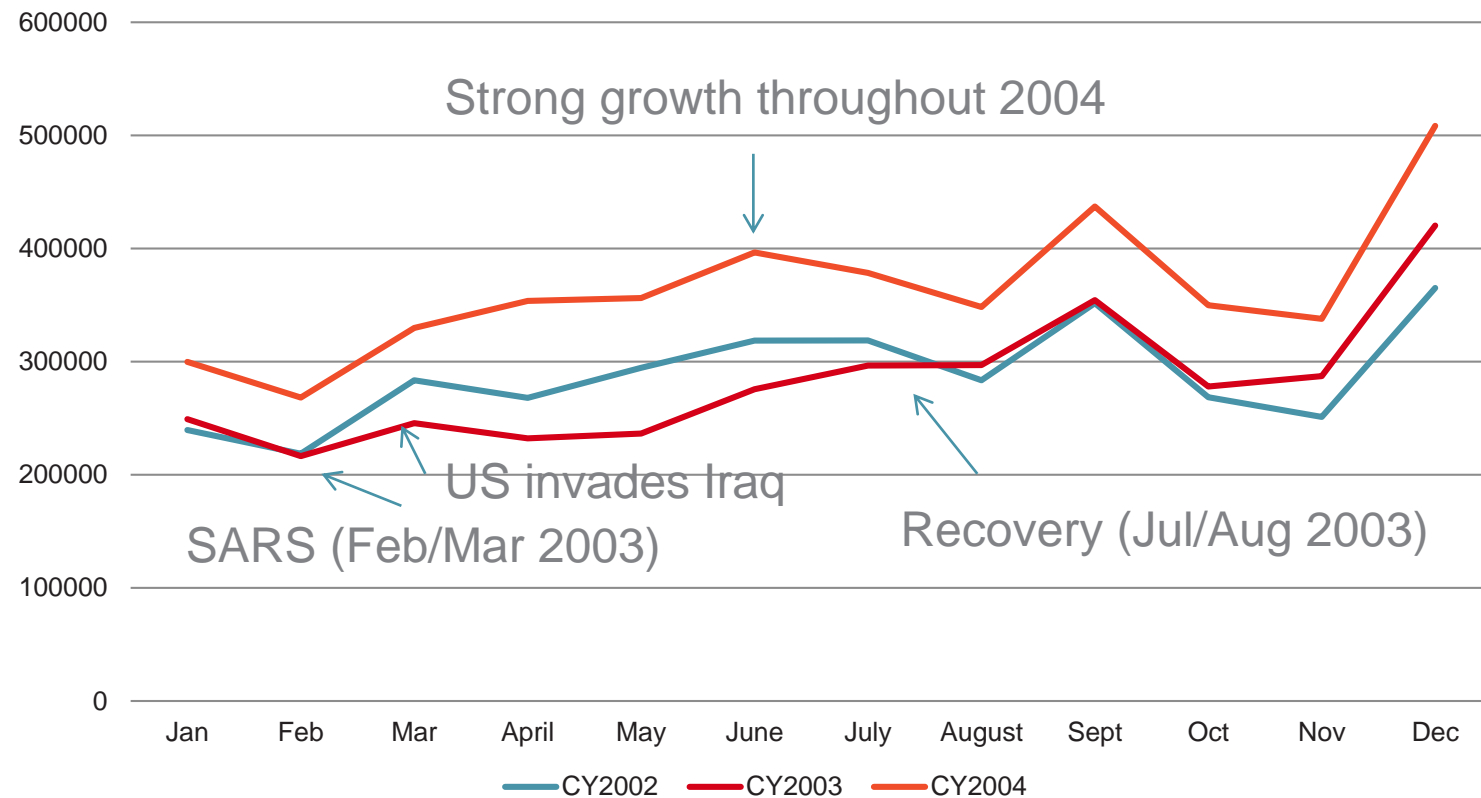
Contributed to 4-5 month slowdown in outbound travel – slowdown exacerbated by unrest in Middle East (US invasion of Iraq in March 2003)

Slowdown was followed by significant & concerted international travel rebound

Pent up demand evident late in 2003 & throughout 2004 – leading to strong growth in Australian outbound leisure travel

# SARS: SHORT-TERM DOWNTURN FOLLOWED BY RAPID GROWTH

The SARS Impact: Australian Departures



Source: Australian Bureau of Statistics short-term resident departure data

# COUNTERING COVID-19'S IMPACT

Balancing need to reduce costs in lower growth trading environment with ability to capitalise on opportunities when market recovers – maintain network strength

Aggressive promotion of “unaffected” destinations including Australia, South Pacific, US & UK to stimulate demand – airfare price war underway between Australian East Coast & LA

Flexible work arrangements now in place in heavily affected Asia businesses

Possible expansion into other businesses if demand further softens in other regions to preserve workforce ahead of post-COVID-19 rebound

# AIRFARE PRICE WARS

**WE KNOW airfare DEALS.**

**Los Angeles**  
return from  
**\$699\***  
Hurry sale ends today!

Selected travel between 25 Mar – 27 Nov 20.  
Deal 11681340

**FLIGHT CENTRE®**  
24 hr 131 600  
Click, call or visit us in store  
flightcentre.com.au

\*Travel restrictions, conditions & exclusions apply. Prices are per person & subject to availability. Seasonal surcharges & blackout dates may apply depending on date of travel. Not bookable online, must be booked in store. Please ask us for further details or visit our website at www.flightcentre.com.au/deals. Visit our website to see updates & corrections to advertised products at www.flightcentre.com.au/deals. Valid for sale until 11.59pm AEST 26 Feb 20, unless sold out prior. FROM SYDNEY. Flight Centre Travel Group Limited (ABN 25 003 371 188) trading as Flight Centre. ATAS Accreditation No. A10412. 24hr 131600, fc

## CHEAP DEALS TO STIMULATE DEMAND

- \$699 return fare from Sydney-LA advertised this week (no longer on sale)
- \$719 Qantas return fare currently available from Brisbane/Sydney/Melbourne to LA/San Francisco/Houston
- Universal Traveller releases short-term \$998 Brisbane-London fare

**LIMITED HURRY TIME ONLY**

**LONDON**  
RETURN FROM  
**\$998\***

**Universal Traveller**



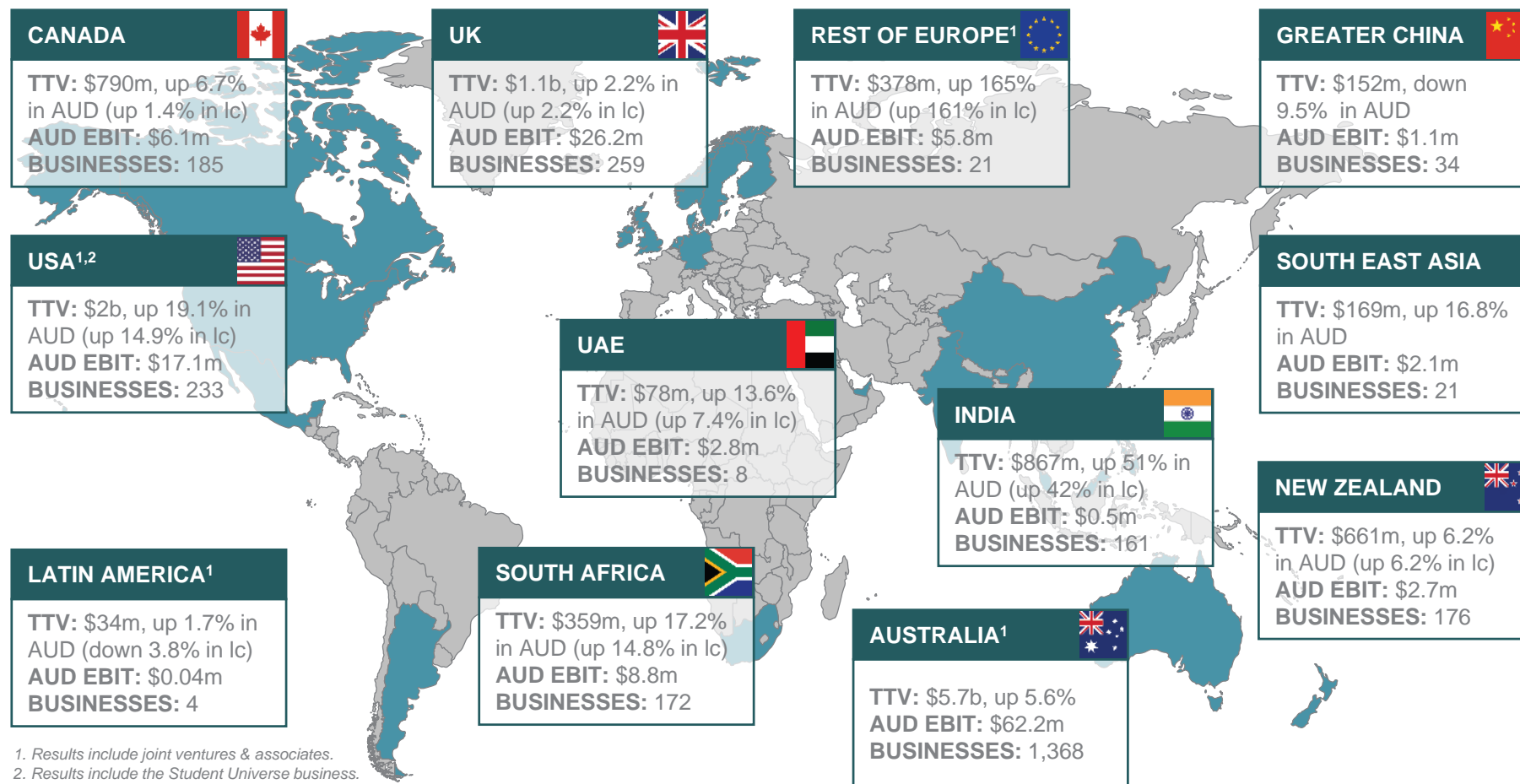
END OF  
PRESENTATION  
QUESTIONS?



# APPENDIX 1: FIVE-YEAR RESULT SUMMARY

	December 2019	December 2018	December 2017	December 2016	December 2015
<b>TTV</b>	<b>\$12,399m</b>	<b>\$11,155m</b>	<b>\$10,154m</b>	<b>\$9,343m</b>	<b>\$9,182m</b>
Revenue margin	12.5%	13.1%	13.4%	14.0%	13.7%
EBITDA	\$165.0m	\$167.3m	\$177.5m	\$143.8m	\$188.0m
PBT	\$38.8m	\$127.4m	\$139.4m	\$109.2m	\$156.9m
<b>PBT (underlying)</b>	<b>\$102.7m</b>	<b>\$140.4m</b>	<b>\$139.4m</b>	<b>\$113.2m</b>	<b>\$145.9m</b>
NPAT	\$22.1m	\$85.0m	\$102.3m	\$74.4m	\$116.7m
<b>NPAT (underlying)</b>	<b>\$81.5m</b>	<b>\$101.1m</b>	<b>\$102.3m</b>	<b>\$78.2m</b>	<b>\$105.7m</b>
EPS	21.8c	84.1c	101.3c	73.7c	115.7c
DPS	40.0c	60.0c	60.0c	45.0c	60.0c
ROE	1.6%	5.8%	7.2%	5.6%	9.1%
Capex	\$59.5m	\$50.7m	\$42.8m	\$65.7m	\$58.2m
Selling staff	14,682	14,691	14,755	15,082	14,747
General cash	\$186.8m	\$283.6m	\$361.5m	\$346.9m	\$429.8m
Client cash	\$651.0m	\$622.6m	\$649.4m	\$662.7m	\$612.2m
<b>Cash and cash equivalents</b>	<b>\$837.7m</b>	<b>\$906.1m</b>	<b>\$1,010.9m</b>	<b>\$1,009.6m</b>	<b>\$1,042.0m</b>
Financial Asset Investments	\$100.3m	\$186.1m	\$202.6m	\$197.5m	\$104.5m
<b>Cash and investments</b>	<b>\$938.1m</b>	<b>\$1,092.2m</b>	<b>\$1,213.5m</b>	<b>\$1,207.1m</b>	<b>\$1,146.5m</b>

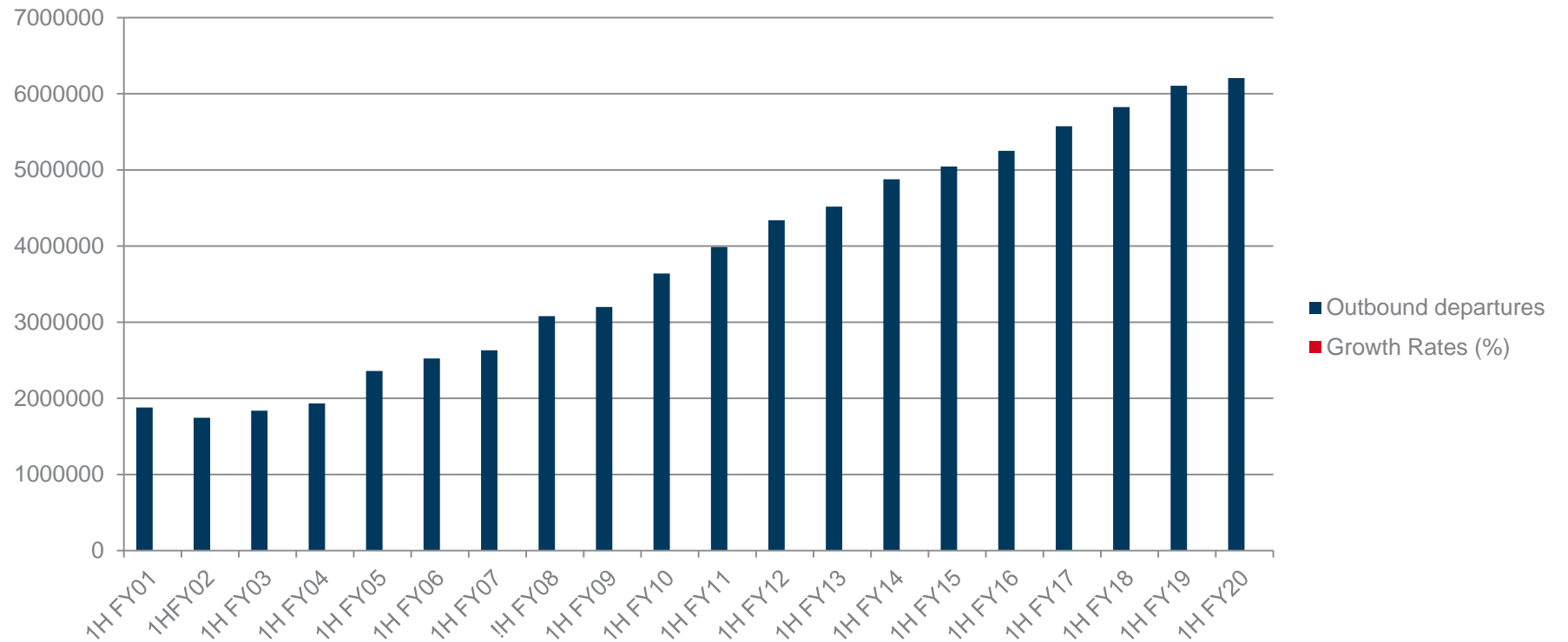
# APPENDIX 2: RESULTS BY COUNTRY / REGION



1. Results include joint ventures & associates.  
 2. Results include the Student Universe business.  
 3. AUD EBIT is underlying statutory EBIT



## APPENDIX 3: SLOWEST GROWTH IN AUSTRALIAN OUTBOUND TRAVEL SINCE GFC



1.6% growth in short-term resident departures during FY20 1H (FY09 1H: 3.9%)



# APPENDIX 4: AUSTRALIA TO US PRICE WARS

