STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE – 13 March, 2020

FLIGHT CENTRE TRAVEL GROUP WITHDRAWS GUIDANCE AND OUTLINES

KEY STRATEGIES TO COMBAT SHORT-TERM CORONAVIRUS CHALLENGES

Key Points

- 2020 fiscal year (FY20) guidance suspended in light of heightened coronavirus uncertainty
- Total transaction value (TTV) trends generally in line with expectations in early 2H trading but virus's spread & increased travel restrictions mean demand is softening significantly & timeframe for recovery is unclear
- Strategic response plan in place – aiming to protect & grow market-share ahead of future rebound, while reducing costs
- Up to 100 under-performing leisure shops to close in Australia – looking to transfer TTV & sales staff to other shops, while also continuing to invest in new & emerging models
- Solid balance sheet, with $1.3billion in total cash and investments & $189million positive net debt position at February 29

THE Flight Centre Travel Group (FLT) has today suspended its 2020 fiscal year (FY20) guidance following heightened uncertainty surrounding the coronavirus.

The company has also provided additional details on both its investment priorities and its key cost-related initiatives through to the end of FY20, in light of the virus's ongoing impact on leisure and corporate travel patterns globally.

Already, FLT has implemented strategies to protect and grow market-share, while reducing costs and maintaining its solid balance sheet, in a challenging trading cycle. Other initiatives will also be implemented in the upcoming months.

FY20 Guidance

The company advised the market that the virus would have a significant impact on FY20 second half (2H) earnings and lowered its full year guidance to an underlying profit before tax (PBT) between $240million and $300million (previously $310million-$350million) when it released 1H accounts on February 27, 2020.

Today, FLT said that while the early 2H TTV trends it had seen had generally been in line with expectations, the virus's spread and the subsequent increase in travel restrictions had made it more difficult to predict the virus's likely full year impact or a timeframe for recovery.

Given this uncertainty, the company has elected to suspend its revised FY20 guidance.

Strategic Response

Managing director Graham Turner said although the outlook and the timeframe for recovery remained unclear, FLT was well placed to overcome challenges.

He said the company would draw on its experiences with SARS in 2003 and during the Global Financial Crisis in 2009 by seeking to stimulate demand, while also implementing sensible cost reduction strategies to maintain its balance sheet strength.

"While people are still booking travel – in February, our TTV actually increased slightly globally compared to the same month last year – we are now seeing significant softening and expect this to continue into April at least," Mr Turner said.

"Within this uncertain environment, our priorities are to reduce costs, while also ensuring that we and our people are ready to capitalise when the steep discounting that is underway across most travel categories starts to gain traction and as the trading cycle rebounds.

"As we saw with both SARS and the GFC in Australia, the rebound can be relatively fast and strong after a fairly significant downturn in international travel.

"In the near-term, we will proactively seek to win leisure market-share by investing in sales and marketing – at a time when some of our competitors may be forced to pull back – to increase our share of voice and to highlight:

- Destinations that are currently considered to be lower risk, including Australian domestic and South Pacific holidays
- The great value we are now seeing; and
- The initiatives that we and our key suppliers are introducing to give travellers greater flexibility and additional peace of mind surrounding their future bookings

"Our corporate travel people are focused on helping their customers, while our large global network of corporate business development managers is focused on winning new accounts to complement the strong retention rates we traditionally achieve and to drive longer term growth."

FLT will also continue to invest in:

- New, unique and attractively priced product ranges for customers. The MyHolidays ready-made package ranges, developed by Ignite, have now been made available through the Flight Centre brand network in Australia
- Promoting supplier and internally-driven initiatives that will give customers additional peace of mind when booking future travel
- Leisure e-commerce capabilities to help the business further capitalise on the strong growth it has achieved during recent periods; and
- The company's technology suite, as evidenced by the recent investment in Dubai-based TPConnects

In addition to its longer term cost reduction initiatives, FLT has adopted various short-term strategies to reflect the current trading climate.

Initiatives include:

- An expansion in flexible work arrangements in the short-term to allow support and front-end sales staff to switch from full-time to part-time arrangements
- Reduced trading hours in some leisure shops
- Reducing leave balances, with people encouraged to take time off during what is likely to be a quieter March and April trading period
- A recruitment freeze; and
- Deferral of some non-essential projects and capital expenditure

Executive earnings will also decrease during FY20, given that executives will not earn any short-term incentives (10% of their targeted remuneration packages) for the full year and will receive substantially lower returns on other programs that are tied to profit, including the company's Business Ownership Scheme (BOS).

FLT's directors will also forgo 30% of their fees for remainder of FY20 and will review the situation early in FY21.

Accelerated Leisure Network Transformation in Australia

As part of FLT's transformation plans and in light of the challenging cycle, the company will accelerate its network rightsizing program and will reduce its traditional leisure footprint in Australia over the next few months.

Up to 100 under-performing leisure shops in Australia are likely to close before June 30, with sales staff to be redeployed to fill existing vacancies in other shops nearby.

FLT currently has about 1040 sales teams within its established leisure brands at some 855 sites throughout Australia.

The company also has a strong network of emerging leisure businesses, which includes online travel agency brands Aunt Betty and BYOjet, ready-made package specialist Ignite and the Travel Partners home-based agency business.

Maintaining Balance Sheet Strength

As outlined previously in this announcement, FLT's priority is to maintain its balance sheet strength during this challenging trading period.

The company had a $189million positive net debt position at February 29, 2020, which included:

- $403.2million in general cash and investments (part of a broader $1.3billion global cash and investment portfolio); and
- $213.9million in debt

FLT currently has access to additional liquidity, plus undrawn debt facilities in the order of $80million. Existing debt facilities run to February 2022.

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This announcement has been approved by Graham Turner.