



STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE – March 26, 2020

FLIGHT CENTRE TRAVEL GROUP DETAILS CORONAVIRUS RESPONSE PLAN

Key points:

- Three-pronged plan in place to tackle prolonged coronavirus-driven travel downturn
- Costs, cash & liquidity focuses – without jeopardising future growth prospects & while maintaining company culture
- Pre-coronavirus staffing levels now unsustainable – significant reductions needed to better reflect prevailing trading climate & preserve jobs for the long-term
- About 6,000 support & sales roles to be lost globally either temporarily or permanently & including 3,800 people in Australia (temporarily stood-down)
- Intention is to return stood-down people to workforce when restrictions are lifted & demand increases. Short-term opportunities available for impacted employees – access to up to 10,000 roles in Australia
- Strong customer focus to be retained – in low demand environment, work-force helping travellers adjust plans or fly home ahead of enforced border closures

THE Flight Centre Travel Group (FLT) today outlined its immediate plan to overcome the ongoing challenges posed by the coronavirus.

FLT's three-pronged plan has been initiated to help it tackle a prolonged downturn in demand brought about by the unprecedented restrictions that governments globally have imposed recently on domestic and international travel to slow the virus's spread.

These never-before-seen restrictions, which have forced airlines to ground their fleets and heavily reduce their flight schedules, have virtually halted travel demand and led to the stoppage of the vast proportion of work that FLT's people previously carried out.

This has been reflected in FLT's total transaction value (TTV) tracking at 20-30% of normal levels globally this month, after stricter international and domestic border controls, self-isolation requirements and trading restrictions on non-essential services were applied. Based on these heightened restrictions, further TTV declines are likely in the coming weeks.

In contrast and prior to the coronavirus's emergence, FLT was on track to deliver record 2020 fiscal year (FY20) sales after generating \$12.4billion in first half TTV (11.2% growth on the record prior year result) and further monthly records in both January and February.

To deal with the rapidly changing trading environment, FLT has developed plans to

- Immediately and significantly reduce costs globally
- Where possible, preserve cash; and
- Access additional liquidity in the short-term

Steps that will be taken in the near-term are as follows:

LIQUIDITY

FLT is undertaking steps to ensure it retains a robust balance sheet and liquidity position to enable it to manage through the current crisis. The company is well progressed in pursuing relevant initiatives and will update the market in due course, at which time it also expects to end the voluntary Australian Securities Exchange suspension that is currently in place.

PEOPLE AND SHOPS

Given that governments are banning travel and normal business functions are significantly disrupted, a high percentage of the work which FLT's people normally perform has stopped and maintaining staff and shop numbers at pre-virus levels has become unsustainable.

As a result, FLT has made the difficult decision to temporarily reduce its 20,000-person global workforce to better reflect the prevailing trading climate and to preserve future jobs.

About 6,000 support and sales roles will either be stood down temporarily or, in some instances, will become redundant, meaning FLT will initially retain up to 70% of its global workforce. The company is assessing the timing and nature of further reductions.

In Australia, where international travel bans and domestic border controls are in place, about 3,800 people in sales and support roles will temporarily stand-down in the near-term. This follows similar recent moves by other travel businesses, including Qantas, Virgin and Helloworld.

FLT will maintain close connections with its people during the stand-down period, which will be reviewed weekly, and will aim to bring them back to work as soon as the current travel bans and trading restrictions are lifted.

In addition, the company has:

- Proactively engaged with a large pool of other potential employers to secure immediate access to more than 10,000 sales and call centre vacancies for stood-down employees in Australia. These people will have the opportunity to return to FLT when conditions improve

- Sought additional government support, including rapid access to benefits and support schemes for any stood down workers who exhaust their accrued leave entitlements and are unable to find short-term roles; and
- Developed comprehensive resources outlining financial and emotional assistance packages, work opportunities and ongoing access to FLT benefits

The company has previously flagged plans to bring forward the closure of some under-performing leisure shops in Australia and has also downsized its leisure networks in North America as part of business as usual processes during recent years.

With the likelihood of a prolonged downturn in demand, FLT has accelerated and extended its leisure shop closure plans globally and could now close about 30% of its leisure outlets across multiple brands in Australia and in the order of 35% of its leisure shops globally over the next few months.

Changes to these plans are likely if market conditions deteriorate further, if restrictions are in place for an extended period or if demand rebounds more rapidly than currently expected.

EXECUTIVE & BOARD REMUNERATION

FLT has initiated immediate 50% pay reductions for senior executives and Board members at least until the end of FY20. Executives will also forgo all short-term incentive payments for the year.

LANDLORDS

FLT has moved to significantly reduce occupancy costs by renegotiating rental agreements with landlords. Discussions to date have been positive as FLT has pursued potential cost savings including rent-free periods and more flexible trading hours.

OTHER CASH PRESERVATION MEASURES

The company has paused a number of other major expense items including:

- Its \$15million-per-month sales and marketing spend to preserve cash while travellers are effectively unable to take off either domestically or internationally. This spend will be re-activated when demand increases; and
- Various non-essential projects, which will result in reduced capital expenditure in the coming months

GOVERNMENT SUPPORT

FLT welcomes stimulus packages that governments throughout the world are delivering to help businesses retain as many workers as possible and overcome the extraordinary trading conditions they are facing.

In Australia, FLT has proactively engaged with state and federal governments to discuss various support mechanisms that would help the company preserve more jobs for the future.

HELPING STRANDED CUSTOMERS

While new bookings have decreased significantly this month, FLT's people have been working tirelessly to help customers adjust future travel plans or fly home ahead of the enforced border closures.

The company continues to liaise with government bodies, including Australia's Department of Foreign Affairs and Trade (DFAT), to help repatriate thousands of travellers who are now stranded overseas.

A team is in place to consider all options, including charter flights, for FLT customers and other travellers globally that no longer have access to commercial flights. Major areas of concern, given the loss of or reduction in scheduled services, currently include South America, South Africa and the United Kingdom.

COMMENTS FROM FLT MANAGING DIRECTOR GRAHAM TURNER:

"We are dealing with unprecedented restrictions and extraordinary circumstances that are having a significant impact on our customers, people, suppliers and all other stakeholders," Mr Turner said.

"People are effectively unable to travel in the near-term, either domestically or internationally, and some are actually unable to be repatriated to their home countries, which is affecting thousands of people and is a problem that we're working to help solve.

"Within this climate, our people have been working tirelessly to help our customers amend their plans, but unfortunately the vast proportion of the work that they would normally undertake has now been stopped.

"As a result, we have been forced to make extremely difficult decisions, including temporarily standing down some of our people and cancelling our interim dividend, with a view to preserving more jobs for the future.

"These people that we are temporarily standing down are a valuable part of our company and, where possible, we aim to bring them back to work as soon as restrictions are lifted and as demand starts to increase.

“We are also making other changes to reduce costs, preserve cash and help the company overcome the current challenges that our industry and almost all businesses now face. In making any changes, we will be extremely conscious of the impact on all stakeholders and will seek solutions that minimise the effects on any one group.

“We will also be conscious of the need to make changes that allow us to successfully overcome this short-term challenge, but do not harm our culture or prevent us from thriving into the future.

“We and our people remain committed to looking after our customers – both during this difficult period and beyond – and will continue to be available through our leisure shops and corporate offices (where permitted), our websites, via social media and through our mobile capabilities during this time of social distancing.”

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This announcement has been approved by the board of Flight Centre Travel Group Limited.