Chairman's Address

Unquestionably, the year to June 30, 2020 has been the most eventful and challenging trading period we have encountered, with COVID-19 having tragic and wide-ranging impacts on the travel, aviation and tourism sectors and, of course, on society as a whole.

While we have understood and supported initiatives that have prioritised public health and safety, we have also been deeply affected by government policies globally that have been implemented to contain the virus's spread and we have publicly questioned the need for such heavy and prolonged lockdowns in some locations, particularly in Australia.

After these restrictions were applied globally from March, we incurred significant losses through to the end of FY20, given that discretionary travel was effectively grounded. This followed a reasonable first eight months of the year, which saw us deliver an underlying profit before tax in the order of $150million for the period.

Some incredibly tough decisions have been made over the past eight months.

The virus's wide-ranging impacts have been felt by all of our stakeholder groups, particularly:

- Our customers, whose travel plans have been severely disrupted
- Our people. About two thirds of our global workforce have lost their jobs either permanently or temporarily through no fault of their own and as a result of actions taken by governments throughout the world to slow the virus's spread
- Our suppliers, who have been forced to hibernate or downsize their businesses to survive – unfortunately and inevitably, not all will trade through this pandemic; and
- Our shareholders, who have seen lower returns by way of diminution in value of their investment in our company and the cessation of dividends for FY20

I'd like to take this opportunity to thank all stakeholders for their patience and understanding during this extraordinary period.

Today, I'd like to make special mention of:

- Our front-end sales people, who worked tirelessly under very trying conditions to help customers rearrange travel plans or recoup money that had been paid to suppliers throughout the world to facilitate well in excess of $1billion in refunds; and
- Our leaders and their teams globally, who worked together to help us overcome the immediate challenges we faced and chart a path to longer term recovery

Our sales people have also been instrumental in repatriating thousands of travellers who have been stranded overseas, in some cases for many months.

As borders started to close, the great work our people at the Sydney International Airport Flight Centre shop did in helping overseas travellers leave Australia was actually covered in trade publication KARRYON, as you can see in this slide, which shows customers queuing outside the shop while our people found and secured last-minute flights home for them.

As the crisis escalated, we took tough, decisive and proactive steps as part of the first phase of our response, which centred on:

- Lowering monthly costs from the pre-COVID level of circa $230million to a level that would deliver an operating cash outflow of $65million; and
- Extending our liquidity runway.

We also accessed various government support programs to secure additional funding and to preserve more jobs for the future, which is something I will elaborate on shortly.

We achieved our short-term objectives by our targeted July 31 date and now have a solid financial platform to help us capitalise on the inevitable rebound once restrictions are lifted.

There is limited visibility around the timeframes for recovery and we will maintain our ongoing focus on costs, cash and, of course, revenue.

Government Support

While government imposed travel restrictions have had a devastating impact on our sector, we would like to acknowledge some of the support programs that have been introduced globally to help businesses overcome the extraordinary challenges they have encountered.

Programs like JobKeeper in Australia and similar schemes in other countries have provided much-needed financial support for people who have been stood down, in addition to helping companies preserve more roles.

In the UK and France, we have also secured access to government-backed loans.

In various countries, including Australia and Canada, support programs now extend through to the 2021 calendar year and it is likely that further extensions will be required to support struggling travel, aviation and tourism sector businesses and to save jobs.

Financial Results

Our headline FY20 results have been summarised on this slide.

Losses were significant and were incurred entirely during the March-June period as we worked to lower costs to the targeted hibernation level in what rapidly became a very low revenue environment.

After being up 11.2% at the half year, total transaction value (TTV) finished 35.5% lower than FY20 at $15.3billion, with the heavy restrictions that were applied preventing new bookings from being made and leading to most forward bookings being cancelled.

Out trading patterns for the year are illustrated on this slide.

While we had a healthy balance sheet pre-COVID, we moved quickly as the crisis escalated to solidify our liquidity position.

In early April, we raised $900million via a $700million capital raising and a $200m debt facility increase.

I'd like to take this opportunity to again thank our retail and institutional shareholders for their strong support during the capital raising and also our lenders for their tangible show of support in providing additional debt facilities and covenant relief.

At the same time as we raised capital, we outlined comprehensive cost reduction and cash preservation strategies geared towards removing $1.9billion in annualised costs and achieving a $65million net operating cash outflow by July 31 2020.

We achieved both of these targets, with our July operating cash outflow being $53miliion or $43million with the net benefit of JobKeeper included.

In July 2020, we also completed the $62.15m sale of our Melbourne head office property and secured the GBP65m government-backed loan in the UK to further extend our cash and liquidity runway.

This meant we had a $1.9b cash balance at July 31, 2020, including circa $1.1b in liquidity (pre current bank covenants).

Our cost reduction and cash preservation actions have been outlined on this slide and have been covered in detail in our annual report and in our FY20 full year result announcement.

FY20 Operational Highlights

While FY20 will be remembered as an incredibly challenging year, it is important to note some very positive pre-pandemic achievements including:

- Solid first half sales growth, with TTV up 11.2% globally during the period and continuing at record levels through to the end of February

- Corporate market-share growth – first half corporate TTV increased 17% globally, taking the compound annual growth rate over the past decade to 16.1%. The North Americas business was again a star performer, recording 24% first half growth
- Further progress in leisure e-commerce, with FLT's online businesses generating almost $1.2billion in TTV during FY20 after a very strong start to the year; and
- Several important acquisitions and investments, including Ignite (now 100% owned) and tech businesses TP Connects and WhereTo

Our investment in TP Connects is part of our proactive response to the evolution of traditional airline distribution models and the emergence of New Distribution Capability (NDC). Through this investment, our relationships with the GDSs and our direct involvement in various airlines' NDC programs, we are well placed to access full content for our leisure and corporate customers in this evolving landscape and to deliver next generation solutions.

WhereTo will become a key part of our corporate product suite and will give us full control of our platform and our customers' booking experience.

A number of businesses performed very strongly throughout the year.

For example, our joint venture bikes business, Pedal Group, almost quadrupled its profit in generating a $17.8million PBT. In addition to the business's expanding leisure and wholesale presence in Australia, it now operates in New Zealand and is on track for further profit growth this year.

Our airline charter business, AVMIN, also performed strongly, recording 26% revenue growth during FY20. Growth was driven by sports charters, particularly in Australia, the mining sector and increased VIP travel and movie production.

As illustrated on this slide, we also implemented a new global leadership structure, with Chris Galanty and Melanie Waters-Ryan appointed chief executive officers of our global corporate and global leisure businesses respectively.

As a result, we now take a more focused view of our business across both of these large and important travel segments.

Three new regional managing directors were also appointed – James Kavanagh in Australia, Charlene Leiss in the Americas and Steve Norris in Europe, the Middle East and Africa (or EMEA) – and this helped drive rapid change throughout the business as the crisis escalated.

The global corporate business delivered a $74million underlying profit before tax during FY20 and secured a record pipeline of new accounts during FY20 and into FY21.

This highlights the business's strength and resilience, as well as its significant future growth potential in a global market that was estimated at $US1.5trillion per year pre-COVID.

The FCM business alone won new accounts with annual spend in order of $US1.3billion ($AU1.8billion) during FY20, including flagship, enterprise level and government accounts.

This was another record and strengthens an already diverse global customer base, which is not reliant on any one business sector and includes a solid base of essential services clients that are generally exempt from restrictions and continue to trade, albeit at reduced levels.

With these wins, we have a very solid platform for further organic market-share growth, which has underpinned the corporate business's global success to date.

The global leisure business, which was in the early stages of a three-year transformation program when the crisis unfolded, was severely impacted by the tighter restrictions that were placed on discretionary (non-essential) travel and incurred significant losses during FY20 after a profitable start to the year.

Our leisure transformation programs have now been accelerated, as Mel and her team globally work to rejuvenate the Flight Centre brand and expand our presence in new and emerging channels and sectors.

It is very early days in this transformation process, but we feel we are making solid progress in this very subdued trading climate.

Conclusion

While trading conditions remain uncertain, we are well equipped to meet the challenges we expect to face in the near-term and to prosper in the longer term once things return to some semblance of normality.

We now have a significantly lower global cost base and an extended liquidity runway, which should allow us to overcome a deep and prolonged downturn. This strength will also allow us to capitalise on opportunities that will inevitably arise in the future.

Importantly, we have also maintained a network of brands, models and businesses that can provide a strong platform for future growth.

Thank-you once again for your support as shareholders – hopefully, we can see many of you in person again at next year's AGM.

I now invite Skroo to address the meeting …

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