Statement to Australian Securities Exchange – February 24, 2022

FLIGHT CENTRE TRAVEL GROUP RELEASES FIRST HALF RESULTS

Key Points

- **Significant recent improvement in trading conditions globally**
  - Total transaction value (TTV) tracking more than 50% above January levels in both corporate and leisure (based on preliminary February trading data)
  - Omicron cases decreasing in key markets, travel restrictions easing – at pace
  - Demand quickly rebounding and set to top COVID-period record – milestone $10m daily TTV for Flight Centre brand in Australia on Tuesday (Feb 22)
- **Renewed confidence in return-to-profit timeframes**
  - Strongest signs of return to normalcy during the pandemic – Australia, UK, Europe & USA now almost free of travel restrictions
  - Continuing to target leisure and corporate profitability this fiscal year (FY22), subject to government restrictions
- **Building on FY22 1H momentum**
  - Strong first half (1H) sales growth delivered – TTV up 113% during 6 months to December 31 2021 – with structurally lower cost base
  - TTV more than tripled in key Europe, Middle East, Africa (EMEA) and Americas markets and now accelerating again in February
  - Improved 1H operational performance masked by $65m reduction in retained benefits (mainly JobKeeper) compared to the prior corresponding period (PCP)
  - Operating cash outflows down to $20m in November, with $1b+ liquidity position at December 31
- **Successful strategic execution**
  - Corporate business “Growing To Win” – almost 150% 1H TTV growth, market-share increasing globally
  - Volume of account wins and ongoing market recovery means TTV now likely to exceed pre-COVID (PC) levels during FY23 (at circa 60-75% market recovery)
  - Leisure TTV up about 90% compared to PCP and gaining share in key markets – online, B2B and call centre businesses now collectively capturing circa 40% of gross core leisure TTV and complementing shop network
- **FY22 outlook**
  - Positive signs but little visibility around recovery timing/extent, future variants
  - Unprecedented but unquantifiable “pent-up” demand after 2 years of closures/lockdowns

THE Flight Centre Travel Group (FLT) is targeting a near-term return to profitability after a significant recent improvement in market conditions globally.

The company, which is one of the world's largest travel retailers and corporate travel managers, is becoming increasingly confident that the rapid recovery it is seeing in both travel sectors since late January marks the start of a material and sustainable rebound.

This confidence is based on:

- Omicron concerns generally decreasing in key markets
- Travel restrictions easing or being removed as countries learn to live with the virus and the world reopens – which is now happening at pace; and
- Significant pent-up demand from travellers looking to make up for two years of lost time

FLT will, however, continue to monitor market conditions and developments, given uncertainty around future variants and government responses to them and current tension in the Ukraine.

Gross TTV has increased quarter-on-quarter throughout the pandemic and has again spiked this month as governments globally have relaxed or removed restrictions that have grounded international and, in some cases, domestic travel for the best part of two years.

Preliminary projections for February indicate that monthly sales could top the COVID-period gross TTV record achieved in November 2021, with significant recovery being seen across all geographies and across both the leisure and corporate sectors after a short-term omicron downturn in December and January.

Based on these projections:

- Both the corporate and leisure businesses are on track to deliver more than 50% TTV growth compared to January 2022; and
- The EMEA and Americas businesses, which collectively generated 50% of 1H TTV and more than tripled sales during the period, are again leading the recovery with corporate TTV in these regions tracking 90% and 55% respectively above January levels

In Australia, Flight Centre brand delivered a $10m TTV day on Tuesday (February 2022), the first time that this milestone has been achieved during the pandemic and a significant recovery towards the $15m days that the company generally targeted pre-COVID (PC).

Further recovery globally is expected in the months ahead, assuming omicron cases continue to decrease and restrictions continue to ease, as FLT closes in on its return-to-profit targets of 55% of PC TTV in corporate and 45% of PC TTV in leisure.

Comments from Graham Turner, FLT managing director:

“After two years of lockdowns and heavy restrictions, we are now seeing the strongest indicators of a return to normalcy. Borders are now generally open and some governments, particularly in Europe, are starting to treat the virus as endemic.

“Changes are happening at pace – we are seeing positive new developments relating to travel every day.

“Confidence in the recovery is building and momentum is taking off globally, as we are clearly seeing right now in both the corporate and leisure sectors and particularly in the three regions that materially drive our results – EMEA, the Americas and Australia.

“While there may be further COVID-related challenges to overcome in the future, we believe we are well positioned for recovery as the world reopens, given our:

- Strong global presence, which means we are not reliant on any one country or sector
- Investment in key assets during the pandemic, while maintaining strong liquidity
- Successful execution of key strategies, including Grow to Win in corporate and the development of a lower-cost leisure growth model built around a smaller but stronger shop network that is complemented by other highly scalable models and channels
- Leaner and more efficient structure, which has led to a structurally lower cost base; and
- Current TTV trajectory in improving conditions

“There is, of course, some uncertainty around future variants and government responses to them, so we will continue to monitor developments.”

FY22 1H Results

FLT recorded strong sales growth during the six months to December 31 2021, with TTV increasing 113% to $3.3b compared to the PCP.

The company achieved significant sales rebounds immediately after the delta spike in late August and early September, which led to COVID-period record gross TTV of $859m in November 2021.

Demand then softened in December, normally a seasonally slower trading month, after the omicron variant emerged in South Africa and then spread globally, prompting governments to temporarily reinstate restrictions. In a further positive sign of rapid post-omicron recovery, the South African business returned to profit in January 2022, after many of these restrictions were quickly removed and despite key airline partners not restoring services until late in the month.

The global corporate business was tracking at 57% of PC gross TTV levels in both November and December, above its return to profitability target (55% of PC TTV). However, after adjusting for the very low margin hotel quarantine program, which has now ended, TTV was just below 50% of PC levels in November, when the business almost broke even.

1H gross leisure TTV also peaked in November at 30% of PC levels and more than doubled between September and November, before the omicron-induced slowdown in December.

While 1H revenue increased strongly (up $156m compared to the PCP) and comfortably exceeded the $125m underlying cost growth, the loss of government subsidies (predominantly JobKeeper in Australia) masked significant year-on-year operational performance improvement. Retained benefits globally during the FY22 1H decreased by $65m compared to the PCP, largely reflecting JobKeeper's removal in March 2021.

At an earnings before interest, tax, depreciation and amortisation (EBITDA) level, underlying* losses increased from $156m during the FY21 1H to $184million, with the FY21 1H benefitting from the $65m impact of government subsidies.

FLT's South Africa and United Arab Emirates businesses were profitable during the 1H, along with various brands throughout the world.

The Pedal Group cycle joint venture and aircraft charter business AVMIN delivered record profits, with Pedal Group generating record sales of more than $200m and a $32m 1H profit before tax.

The EMEA geographic segment was profitable in both November and December and was close to breakeven for the 1H, while the global corporate business was also close to breakeven in November, ahead of the global omicron wave and the traditional Christmas season slowdown.

Corporate activity is again stepping up, particularly in the Northern Hemisphere, as evidenced by the strong recent month-on-month TTV growth in the UK and the Americas.

Growth has been bolstered by the return of several companies that have reinitiated their travel programs this month after pausing those programs during the height of the pandemic.

In the leisure sector, significant 1H losses were recorded, as expected given the business's traditional reliance on Australia and New Zealand. Together, these businesses, which remained heavily locked down until recently, contributed about 58% of gross leisure TTV PC.

The South Africa leisure business recovered solidly, while Liberty was profitable at various times during the 1H, which was traditionally the US business's seasonally weaker and loss-making period.

Overall costs tracked at circa 40% of PC levels as FLT maintained tight controls over expenses, while continuing to invest in its key growth drivers – people, systems and technology.

Staffing levels increased during the 1H – ahead of the recovery and in anticipation of strong demand after the world reopened – which contributed to increased employee benefits expenses during the period.

Costs will continue to increase as demand recovers and the company ramps up staffing levels and marketing activity but is expected to remain materially lower in full recovery than during FY19, when FLT delivered record TTV of $23.7billion, as a result of:

- Structural changes made to increase productivity and scalability; and
- Growth in labour-light leisure models, specifically online, business to business (independent agents) and call centres

FLT has maintained a healthy balance sheet and had a $1.5b global cash and investment portfolio at December 31, 2021. Liquidity topped $1billion, after allowing for a complete unwind of working capital and client cash.

As announced during the 1H, FLT will use some of the proceeds from its $400m convertible note issue in November 2021 to repay the UK115m pound, low interest loan it received under the Bank of England's short-term Covid Corporate Financing Facility when the loan expires next month.

After recording operating cash outflows in excess of $41million in September, monthly operating cash outflows rapidly decreased to $20million in November as the delta wave passed - another COVID-period record and an indication of the pace with which the post-omicron recovery could occur. These outflows were then contained between $35million-$40million in the seasonally softer and omicron-impacted December and January months.

Strategic Update & Outlook - Corporate

FLT's corporate businesses contributed about 60% of 1H sales and organically increased TTV by almost 150% compared to the PCP to $2.04b.

At an underlying EBITDA level, losses improved to $30m (PCP: $46m EBITDA loss), despite a $13m decrease in retained subsidies compared to the FY21 1H.

The business continues to successfully execute its Grow To Win strategy – which couples large volumes of account wins with very high customer retention rates – and is consistently gaining market-share across its key regions, while ensuring its two key brands, FCM and Corporate Traveller, are fit to win in a post-COVID world.

While average client spend remains well below PC levels and is unlikely to rebound fully in the near-term, FLT believes its corporate TTV can now surpass peak FY19 (monthly) levels during FY23 with**:**

- Average client spend (market recovery) expected to reach 60-75% of traditional levels as restrictions ease and as a result of pent-up demand for face-to-face meetings; and
- Material TTV flowing through from the large pipeline of accounts won during the past two years – 12 of the company's 20 largest clients globally have now been secured during the pandemic

Wins since the end of the FY20 1H have now reached $4.5b in annual pre-COVID spend, which would represent circa 50% growth on the global corporate business's $8.9b FY19 result if all clients were retained and were trading at previous levels.

These wins have enhanced what was already a diverse client book and have also included major government accounts in France, Singapore and the United Kingdom. The UK government is now one of the company's largest clients in the country.

Changing customer needs and market dynamics are creating opportunities for both Corporate Traveller and FCM.

In terms of customer needs, safety concerns are likely to lead to reduced leakage, higher adoption of managed travel programs and a shift away from supplier direct offerings. Customers are also focussing on sustainability solutions, which are being incorporated into the two brands' corporate product and technology suite.

In terms of market dynamics, the competitive landscape is changing with recent merger and acquisition (M&A) activity leaving large clients with less choice and seeking an alternative.

FLT has also participated in the M&A activity but has, to date, focussed on strategically expanding its geographic footprint and enhancing its technology and product suite to drive further organic growth in the future rather than large-scale acquisitions to boost TTV.

This is evidenced by recent investments in:

- A small joint venture in Japan (the world's fourth largest corporate travel market) during the 1H. The business started to trade in January 2022; and
- Tech businesses Whereto early in the pandemic – this investment paved the way for the Corporate Traveller Melon platform and the FCM Platform to be developed and introduced – and Shep, a browser extension, late in the 1H

FLT will consider larger acquisitions if suitable strategic opportunities arise but will predominantly focus on organic growth given its success in winning and retaining accounts.

This success has been aided by significant investments in products and initiatives that have improved the customer experience during the pandemic while some legacy travel management companies have been unable to invest in new products to meet changing post-COVID needs.

Strategic Update & Outlook – Leisure

The global leisure business recorded a $155m underlying EBITDA loss during the 1H, compared to an underlying $120m EBITDA loss during the PCP.

As was the case company-wide, the removal of government subsidies adversely impacted results during the period and also masked a significant operational performance improvement underpinned by ongoing cost discipline and strong sales recovery.

1H TTV increased circa 90% to $950m (PCP: $501m), despite the negative effects of:

- Ongoing heavy restrictions in Australia and New Zealand; and
- Short-term slowdowns late in the first and second quarters associated with the delta and omicron strains respectively.

On a positive note, both downturns were quickly followed by significant demand spikes, with the global leisure business peaking at 30% of PC gross TTV in November (post delta) and on track to surpass that contribution this month as omicron concerns abate and as the world reopens. FLT expects further leisure recovery in the coming months, as the business closes in on its breakeven target of 45% of pre-COVID TTV before the end of FY22.and a full recovery during FY24.

FLT's leisure businesses globally are well placed to capitalise on the reopening and on the significant pent-up demand for international travel, as evidenced by the bookings and enquiries surges that typically follow border reopening announcements. For example, last week's news of the impending West Australian border reopening led to a circa 200% increase in searches for flights to and from WA on each of the first three days after the announcement (Feb 18-20).

The company has retained strong and highly accessible Flight Centre shop networks in its larger markets of Australia, New Zealand and South Africa. These shops now house an experienced workforce with:

- The expertise to help customers navigate post-pandemic travel complexities; and

- Access to improved systems and tools, which together should deliver productivity gains, as has already been seen in various markets and businesses, including South Africa, the US and Ignite in Australia, during the 1H.

The Flight Centre shops now operate alongside a stronger stable of highly scalable complementary businesses that are earmarked as key future growth drivers and that are already starting to cost-effectively capture a higher share of sales.

Together, the leisure online, call centre and business to business (B2B) channels delivered about 40% of gross 1H TTV within the core leisure business (excluding wholesale, Flight Centre Business Travel and Travel Money FX).

Online businesses captured 18% of 1H gross core leisure TTV globally, up from 11% PC.

These businesses include:

- The various flightcentre.com websites
- US-based student travel marketplace StudentUniverse, which is now capturing a meaningful percentage of volume via its relationship with Amazon; and
- The Jetmax online travel agencies (BYOJet and Aunt Betty), which will next month launch in four new markets – the US, Ireland, Hong Kong and Singapore – via Google Flights

The B2B offerings, which are labelled Home Of The Travel Entrepreneur (HOTTE), generated 12% of 1H core leisure TTV (gross). Within this channel, FLT aims to deliver the widest and best range of travel and technology products to its expanding member network.

FLT's call centres delivered 8% of 1H core leisure TTV (gross), with the Ignite business and its specialist My Brands stable (My Cruises, My Fiji, My Queensland Holiday and others) performing well

The company also continues to strengthen its premium sector presence, through the boutique Travel Associates brand in Australia and Laurier Du Vallon in Canada.

This leisure sector diversity has allowed FLT to capture a broad customer mix and has contributed to increased market-share in Australia and South Africa during the most challenging period the industry has faced. These challenges have inevitably led to consolidation, with industry body the Australian Federation of Travel Agents estimating that some 14% of travel agents in Australia have left the industry and an additional 37% would be at risk if without additional government support.

While other businesses and channels are expected to drive FLT's future leisure growth, the Flight Centre shop network remains the business's backbone, particularly in the Southern

Hemisphere. Work is underway to reinvigorate the famous brand ahead of its 40th birthday later this year, with the Flight Centre 4.0 project in place to deliver a modernised brand and omni-channel operating model that is positioned to win in the recovery phase.

Supplier Relationships

FLT maintains strong relationships with a diverse range of suppliers globally and has long-term deals in place with airlines, cruise lines, tour companies and other partners.

In Australia and New Zealand, some airlines have recently flagged changes to agency commission payments (front-end margin), which are just one source of FLT's revenue and overall margin.

Discussions are underway with these airlines, with a view to adjusting back-end margins or pursuing a number of other strategies, to offset the impacts of any commission loss, as FLT has generally been able to do in the past. Between the FY2010 1H and the FY2020 1H, FLT's Australian leisure revenue margin increased from 12.6% to 14% (excluding the Travel Money FX business) at the same time as the company's average international air commissions decreased from 6.7% to 3.7%.

Pre-COVID, the Australian outbound aviation market was highly competitive, with more than 50 international airlines operating scheduled passenger services to and from Australia (Source: BITRE). These airlines are typically looking to restore capacity and regain market-share as the recovery ramps up, creating further opportunities for FLT, with its large and diverse brand stable and customer base, to work closely with key partners.

FY22 Full Year Outlook – comments from Graham Turner

"The positive trends that were being seen pre-omicron have re-emerged globally, after a relatively short downturn in December and January.

"Confidence in the recovery is building, with the near-term rebound in demand – which is already underway – looking likely to quickly exceed the post-delta rebound in November. At that time, heavy travel restrictions were still in place, with limited opportunities to travel internationally from Australia and only the New South Wales and Victorian domestic borders open in a meaningful way.

"The outlook now for travel is considerably brighter although the recent unrest in Russia and the Ukraine may impact the pace of recovery if it escalates significantly.

"We remain comfortable with our pre-omicron return to profit timetables and will continue to target a return to monthly profitability in corporate and leisure during FY22.

“The corporate business is now targeting profit in March-April and a return to PC TTV levels on a monthly basis during FY23, assuming client activity increases to circa 60-75% and with a significant contribution from our new accounts. The global leisure business is expected to return to profit later in the FY22 2H, when its core product of international travel is likely to be back in a more meaningful way

“We are not yet able to provide specific FY22 profit guidance, given the lack of visibility around the likely timeframes for – and extent of – recovery and government reactions to future variants.

“In many ways, we are entering uncharted waters after two years of unprecedented restrictions.

“In Australia alone, there were some 10million fewer short-term resident departures last calendar year (CY) than there were during CY19, the last full year without lockdowns (Source: Australian Bureau of Statistics). Undoubtedly, these grounded travellers will be keen to make up for lost time, but it is impossible to predict at this stage exactly how quickly that pent-up demand will return, although very positive signs are being seen right now.

“There is also a positive read-through from SARS, when we saw a strong travel rebound throughout 2004 after a very short downturn and without restrictions or lockdowns.

“Travel will inevitably be more complex in the post-COVID recovery, given that government and airline policies vary, and this will play to the strengths of our expert travel advisors in both the leisure and corporate sectors.”

ENDS: Media & investor enquiries to haydn_long@flightcentre.com, + 61 418750454

*A reconciliation of EBITDA to underlying EBITDA for both the FY22 and FY21 1Hs is included on pages 20 and 21 of FLT’s statutory accounts

FLT Half Year Results Schedule

FLT will present its FY22 1H results to analysts and investors from 9.30am Queensland time (10.30am AEDT) today (Thursday, February 24). The presentation can be accessed via the following URL: http://www.openbriefing.com/OB/4629.aspx

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