STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE – August 25, 2022

FLIGHT CENTRE TRAVEL GROUP RELEASES FULL YEAR RESULTS

Key Points

Bottom-line result well within upgraded guidance range	$183.1m underlying EBITDA loss* achieved ($180m-$190m target in place)
	Targeted 2H corporate & leisure return-to-profit timeframes achieved
Rapid recovery late in year	Modest 2H underlying EBITDA profit after solid 4Q uplift - driven by leisure & corporate TTV growth
	Global corporate business profitable for FY22 & outpacing industry recovery - gross TTV back above monthly pre-COVID (PC) levels in June 2022
Strong liquidity position	Operating cash flow positive since March after governments started to remove travel restrictions
	Circa $700m in liquidity at June 30 after repaying short-term UK debt in full
Ready for growth	Corporate business "growing to win" - high customer retention rates + accounts with circa $2.5b in annual spends secured during FY22
	Leisure productivity at record highs, successfully shifting TTV between traditional & new models - $750million in gross online leisure TTV during FY22 including record contribution from flightcentre.com.au
	Maintaining overall cost discipline (expenses circa 50% below PC levels) while "pre-investing for growth" in people, products & technology
Market conditions	Supply constraints (airline capacity) & macro-economic changes being monitored but not currently slowing demand
	Global travel market is highly resilient - strong & consistent growth achieved PC - large potential upside as normal travel patterns resume
	Renaissance of the expert travel advisor - current complexity plays to FLT's strengths in both leisure & corporate

*** Unless otherwise specified, profit or loss references within this announcement relate to underlying earnings before interest, tax, depreciation and amortisation (EBITDA)**

FY22 Result Snapshot	FY22	FY21	Improvement
TTV	$10.3b	$3.95b	+162%
Revenue	$1b	$396m	+154%
Underlying EBITDA	($183.1m)	($337.8m)	+46%
Statutory profit before tax	($377.8m)	($601.7m)	+37%
Underlying profit before tax	($360.9m)	($507.1m)	+29%

FY22 Result Overview, Highlights and Key Drivers

FLIGHT Centre Travel Group (FLT) today released audited 2022 fiscal year (FY22) accounts.

The company took positive early steps on the path to post-COVID recovery during FY22 by:

- Increasing market-share in key countries and sectors
- Achieving its targeted leisure and corporate return to profitability timeframes; and
- Delivering better than expected full year earnings

FLT also starts the new fiscal year with solid momentum after a strong finish to FY22, with TTV recovery accelerating during the fourth quarter (4Q) and the company recording a $35million underlying profit* for the period.

This 4Q uplift led to a modest second half (2H) profit – a significant turn-around from both the $184million loss recorded during the 1H, while heavy restrictions remained in place globally, and the $182.2million loss recorded during the FY21 2H.

The $183.1million full year loss was:

- A 46% improvement on the $337.8million FY21 result; and
- Well within FLT's upgraded guidance range ($180million-$190million loss)

Recovery was driven by rapid sales growth globally after governments relaxed or removed international and domestic travel restrictions, with TTV and revenue increasing 162% to $10.3billion and 154% to $1billion respectively over the full year.

Revenue margin (revenue as a percentage of TTV) was 9.7% (FY21: 10%), with the movement driven predominantly by:

- Cyclical factors (higher airfare prices, lack of capacity); and
- Planned and unplanned business mix changes, which led to heavier than normal weightings of lower margin products

These mix changes included increased sales in corporate (compared to leisure), large market corporate (compared to SME), local (compared to long-haul), online (compared to offline), air-only (compared to sales with additional products attached) and VFR (visiting friends and relatives) travel (compared to holidaymakers) during the early recovery phase.

All geographic regions and business segments, apart from Asia and FLT's "Other" segment, returned to profit during the 4Q, with the global corporate and Europe, Middle East and Africa (EMEA) businesses profitable for the year.

The corporate business has continued to out-perform, with key sales metrics (TTV, transaction volumes and revenue) all outpacing the broader business travel sector's recovery, pointing to further market-share growth.

Gross corporate TTV for June 2022 exceeded pre-COVID (PC) levels six months earlier than FLT initially anticipated, as a result of increased volumes (89% of PC compared to the estimated industry average of 75-80%) and higher airfare prices.

FLT's global leisure business also recovered strongly during the 2H and delivered a 4Q profit in the order of $10million (including losses from the in-destination businesses).

Across both travel sectors, FLT is achieving its strategic objectives with:

- Corporate "growing to win" organically by maintaining high customer retention rates and winning new accounts, Accounts with $2.5billion in projected annual spends were secured during FY22, taking total annualised wins during the pandemic to $5.8billion; and
- Leisure benefitting from enhancements made prior to and during the pandemic, with TTV recovering and shifting between traditional and new models, online capturing a larger share of overall sales, market-share increasing in Australia and New Zealand (ANZ) and consultant productivity at record highs

The company has maintained its cost discipline – another priority – with monthly underlying costs averaging $120million during FY22 compared to circa $230million pre-COVID (PC).

Cost discipline has been balanced against the need to invest in key growth drivers – people, products and technology – with the corporate business in particular "pre-investing" in a growth cost base to service:

- Increased customer activity since domestic and international borders reopened
- Large volumes of new accounts that are being won and implemented globally; and
- Stronger demand for human service and advice in a more complex environment

This added complexity plays to FLT's strengths in both the leisure and corporate sectors and is fuelling a "renaissance of the travel advisor", as travellers seek expert advice.

To better service this demand, the company has continued to target experienced travel agents who were displaced during the pandemic, while also reinitiating its novice recruitment programs at scale (July 2021). As a result, FLT is now attracting circa 4500 applicants per month in Australia alone as the travel industry rapidly regains its appeal among jobseekers.

Industry newcomers are quickly finding their feet, with novice sales averages currently tracking above network-wide figures PC.

At year-end, FLT had a $1.3billion global cash and investment portfolio and a $700million liquidity position. On an operating cash flow basis, the company has generated cash since March 2022, when Omicron strain concerns abated, and demand started to recover rapidly.

Corporate Segment Result & Strategic Update

Since the start of the pandemic, FLT's corporate businesses have focused on Grow To Win, a global strategy based on enhancing capabilities across both the FCM and Corporate Traveller brands, retaining existing customers and winning large volumes of new accounts.

This strategy has started to deliver tangible benefits, as evidenced by the $2.5billion pipeline of FY22 account wins, global market-share growth and the return to record monthly gross TTV levels in June 2022. The business is now set to gain scale benefits as transactions take off and as efficiencies deliver a lower cost per transaction, paving the way for profit growth.

During FY22, the corporate business delivered a $13.5million profit, which was underpinned by a $38.6million 4Q result.

TTV increased 158% to $5.6billion over the year, with $2.3billion generated during the 4Q – a TTV run-rate that would, if extrapolated over the year to June 30, 2023, exceed the record $8.9billion result achieved during FY19.

The ANZ, Americas and EMEA regions each generated circa 30% of FY22 corporate TTV, highlighting the business's geographic diversity, with the balance coming from Asia, a region that now includes the start-up FCM Japan joint venture (launched in January).

In Australia, FLT maintains very high corporate market-share and continues to win unmanaged business and accounts from competitors. Wins are accelerating, as competitors struggle to meet clients' needs in the current trading climate.

The Americas and EMEA businesses are, however, likely to overtake ANZ as the company's largest corporate regions in the near-term given comparative market sizes, FLT's small but growing market-share and the volume of new business being won within the two regions.

Overall, FLT's corporate market-share in Australia, the US, the UK, Canada, New Zealand and South Africa has increased from 6.3% during the FY19 2H to 7% during the FY22 2H (Source: GDS/MIDT data).

Leisure Segment Results and Strategic Update

Within FLT's leisure and experiences segment, TTV increased 197% to $4.1billion.

Losses decreased to $180.4million, a significant improvement on the $262.2million FY21 loss, which also included $70million in government grants. 2H losses decreased to $25.5million, with the segment overall delivering a $10million 4Q profit.

Leisure TTV rebounded strongly during the 2H and was tracking at 68% of gross monthly PC levels at the end of June 2022, compared to 22% at the end of the 1H, when the Omicron strain was spreading rapidly and large parts of the world remained heavily locked down.

The business is well placed to benefit during the recovery period, with market-share increasing in Australia and New Zealand, which together contribute 70% of leisure sales, and South Africa, which is leading the leisure recovery, exceeding PC TTV levels.

Last month (July 2022), the South Africa business generated 102% of PC TTV, with the shop network contributing 86% of this from just 46% of its PC locations, highlighting the strong productivity improvements that the company is seeing.

FLT’s global shop network now includes 469 stores, with an additional 43 (38 Flight Centre shops and five Travel Money outlets) set to re-open by the end of the 1H.

In line with leisure’s strategic objectives, TTV is shifting between traditional and new channels, with the complementary and independent agent businesses capturing almost 30% of FY22 leisure TTV.

The company’s leisure online businesses generated almost $750million in gross TTV, including a record full year contribution from flightcentre.com.au, with the website capturing almost 20% of Flight Centre brand’s gross turnover in Australia over the year.

Work continues on Flight Centre brand’s evolution from a multi-channel travel agent to a modern omni-channel retailer with connected offerings that allow customers to move seamlessly between in-store, online, app and phone channels.

Supply Strategic Update

The supply division, established during FY22 as FLT’s third key pillar, consists of:

1. A large Supply Mart that services the leisure and corporate businesses
2. In-destination businesses specialising in touring, destination management and hotel management; and
3. An emerging external distribution business (The Travel Junction), which leverages FLTs products and systems to service external B2B customers

Current priorities within the leisure and corporate supply areas include ensuring breadth and depth of content group-wide, embedding new technology to create a one-door entry to all brands and businesses for FLT’s suppliers and enhancing data and analytics capabilities.

The business is also fostering best-in-market supply partnerships and working closely with those airlines in Australia and New Zealand that are reducing front-end commission payments to deliver new revenue streams. Elsewhere in the world and in other travel sectors – hotels, cruise and tours – supplier margins are generally stable.

Via the supply area, FLT is proactively targeting opportunities in NDC (New Distribution Capability) through the TP Connects business, which the company holds a 70% interest in.

Airlines are investing heavily in NDC and are now starting to look for returns on this investment by shifting volume to these new channels. FLT is well placed to capitalise on this shift, given its ownership of TP Connects, a specialist aggregator that works with both airlines and agencies to provide access and distribution solutions.

Within the in-destination area, the Back-Roads and Topdeck touring businesses are back on the road with reduced 2022 schedules ahead of a larger scale return next calendar year.

Destination management company Discova's Americas business is recovering well, while the Asia business continues to be impacted by regional lockdowns but has good growth prospects after securing a large new account pipeline during the pandemic. Discova was also bolstered during FY22 by the acquisition of Grasshopper, an Asia-based cycle tour specialist, which is now being integrated into the business.

Hotel management business Cross Hotels & Resorts has an expanding network of more than 30 properties across Thailand, Vietnam, Japan and Indonesia, with six new properties added to the portfolio during the past year.

Outlook

FLT has started FY23 with strong momentum and is well-placed to capitalise on opportunities that will arise given that it is:

- Re-emerging from the pandemic with a solid balance sheet and with its key assets retained and, in some instances, enhanced
- Investing in technology to enhance productivity and the customer experience
- Continuing to prioritise TTV and market-share growth, revenue and cost control; and
- Preparing for growth by expanding its leisure and corporate workforces

While supply constraints and macro-economic changes are being monitored, they are not currently noticeably impacting demand.

This again underlines:

- Travel's resilience, with the sector overall traditionally delivering strong and consistent year-on-year growth; and
- Its unique position as a discretionary item that customers view as a necessity.

While FLT does not anticipate full industry recovery during FY23, the company expects to be tracking close its monthly PC TTV levels by year-end, assuming conditions continue to normalise and given its recent trajectory and market-share gains.

Recent trends are positive with the leisure and corporate businesses generally maintaining their TTV recovery trajectories in July, traditionally a softer trading month given Northern Hemisphere summer holidays, ahead of another acceleration globally in early August.

In terms of profit, FLT has an ongoing goal of translating 40-50% of incremental revenue growth to EBITDA during the recovery phase and will target further bottom-line improvement during FY23. It is, however, too early to provide specific market guidance given that:

- The travel industry rebound is in its infancy and normal travel patterns (local v long haul, holidaymakers v VFR) are yet to resume
- Various parts of the world, including China, are yet to reopen, which is adversely impacting capacity as well as leisure and corporate passenger flows; and
- Airline capacity and pricing – the key drivers of supply and demand – and revenue margin are yet to stabilise and normalise

Profit and TTV recovery are unlikely to be linear and are again expected to be heavily 2H weighted, reflecting both seasonality (peak booking months are typically during the January-June period) and the anticipated capacity and pricing stabilisation as the year progresses.

Comments from FLT CEO Graham “Skroo” Turner

“After two years of unprecedented disruption to normal global travel patterns and other everyday activities, we are pleased to start FY23 with a considerably brighter outlook.

“Travel demand has recovered rapidly since most governments globally removed or relaxed border restrictions and we have started the new fiscal year with strong momentum.

“Our corporate business is again outperforming, returning to gross pre-COVID TTV levels ahead of schedule and securing another strong pipeline of account wins to drive future growth.

“In the leisure sector, we are generally gaining share in our core markets, increasing productivity and capturing more sales through highly scalable channels and models.

“It is, of course, early days in the recovery and there is still considerable upside potential. For example, Australian outbound passenger departures tracked at just 35% of pre-COVID levels over the FY22 2H, peaking at 60% in June.

“There is also some ongoing supply constraints and macro-economic uncertainty, although these factors do not seem to be slowing the recovery at this stage.

“While the cost of living is generally increasing, very low unemployment globally and travel’s proven resilience are significant offsetting factors for our business, with customers having both the means and the desire to make the most of their limited vacation time after being denied that opportunity for some two years. Corporates also continue to re-engage face-to-face to re-establish old business relationships or to create new ones.

“We will, of course, continue to monitor COVID-19 and the possible incidences and impacts of future strains. While we believe further lockdowns are highly unlikely, there is little visibility around government’s future strategies or intentions.”

FY23 Update – Board Expansion

FLT has strengthened its board, with the company today appointing Kirsty Rankin as a non-executive director (NED).

Kirsty was CEO of Pinpoint Pty Ltd, an organisation which specialised in cultivating customer loyalty and engagement programs, prior to its sale to Mastercard and subsequently served as a global executive for Mastercard in the USA. She is also an NED of Azupay, a privately-owned, real-time payments platform, Stone & Chalk, a leading innovation start-up and scale-up hub, and Skyfii Limited, an ASX-listed omni-data intelligence company.

“Kirsty has vast global experience in areas that are critical to the future of our business, specifically developing capacity in data-driven customer insights, managing digital transformation and developing and implementing customer loyalty programs,” FLT chairman Gary Smith said. “She will be a great addition to our board and a great asset to our company in the years ahead.”

FLT’s board now consists of chairman Gary Smith, managing director Graham Turner and non-executive directors Colette Garnsey, Kirsty Rankin, John Eales and Rob Baker.

ENDS Media enquiries to haydn_long@flightcentre.com, + 61 418 750454

*** Unless otherwise specified, profit or loss references relate to underlying EBITDA. Circa $17million in positive and negative adjustments to actual EBITDA are outlined on page 56 of FLT’s full year accounts, with the most significant item being the $21.9million in costs associated with the staff retention programs that the company introduced as a direct response to COVID-19**

Result Presentation

FLT will present its results to the market from 10.30am today. The presentation can be accessed via the following URL: http://www.openbriefing.com/OB/4844.aspx

FLT’s board of directors has authorised this announcement