

# Acquisition of Scott Dunn and equity raising

31 January 2023



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# Transaction overview

<b>Acquisition of Scott Dunn</b>	<ul style="list-style-type: none"> <li>Flight Centre has entered into a binding agreement to acquire 100% of Luxury Travel Holdings Limited (<b>Scott Dunn</b>), a leading UK-based luxury travel business (<b>Acquisition</b>)</li> <li>Acquisition Enterprise Value (<b>EV</b>) of £121 million (A\$211 million<sup>1,2</sup>), equivalent to ~9.6x EV / 12 months to 30 June 2023 EBITDA<sup>2,3,4</sup> (pre-synergies)</li> </ul>
<b>Scott Dunn overview</b>	<ul style="list-style-type: none"> <li>Scott Dunn is a multi-award winning travel brand specialising in tailor-made, luxury holidays<sup>5</sup></li> <li>High margin leisure business within the resilient luxury travel segment</li> <li>Entrenched UK business, with a focus on growth in the US market</li> <li>Extensive and diverse product range, offering tailored packages</li> <li>Guest-centric brand with affluent, high quality guest base with high average transaction values and strong repeat bookings</li> <li>12 months to 31 December 2022 TTV of £112 million (A\$199 million)<sup>6</sup> and revenue of £29 million (A\$51 million)<sup>6</sup></li> </ul>
<b>Strategic rationale</b>	<ul style="list-style-type: none"> <li>✓ Entry point into the UK and US luxury market to complement the existing global Leisure offering in a segment where Flight Centre is underrepresented</li> <li>✓ High margin market segment with resilient characteristics</li> <li>✓ High value and growing loyalty amongst customers</li> <li>✓ Scalable brand and capabilities to accelerate growth utilising the Flight Centre platform and infrastructure</li> <li>✓ Expected to deliver attractive financial outcomes through the combination</li> <li>✓ Culturally aligned organisation with strong management team committed to continued growth plans</li> </ul>
<b>Financial impacts</b>	<ul style="list-style-type: none"> <li>Scott Dunn achieves higher revenue and EBITDA margins in comparison to Flight Centre's existing Leisure operations</li> <li>The Acquisition increases Flight Centre luxury revenue margin by ~3% and EBITDA margin by ~7% on a pro-forma 6 months to 31 December 2022 basis<sup>7</sup></li> <li>The Transaction is expected to be mid-teens percentage EPS accretive in the 12 months to 30 June 2023 on a pro-forma basis prior to the realisation of synergies and the impact of one-off transaction costs<sup>3,6,8</sup></li> <li>Modest net corporate cost and supplier synergies anticipated</li> </ul>
<b>Timing</b>	<ul style="list-style-type: none"> <li>The Acquisition is not subject to any conditions</li> <li>Expected to take place prior to the end of February 2023</li> </ul>

Notes: This slide contains forward looking statements or opinions. Please refer to the Disclaimer and Important Notice with respect to such statements starting on slide 2. Scott Dunn financials have been adjusted for certain adjustments, normalisations identified during Flight Centre's limited due diligence, accounting principles consistent with those that will be applied under Flight Centre ownership and estimated IFRS 16 adjustments to be presented on a post IFRS 16 basis. Refer to paragraph 3.11 of the 'Key risks' on slides 35 to 56 of this presentation for further information. 1. AUD:GBP exchange rate of 0.57. 2. Post-IFRS 16. EV includes lease liabilities of £0.8 million (A\$1.4 million) as at 31 December 2022. Scott Dunn's restricted cash will be transferred to Flight Centre upon completion of the Acquisition (£13 million (A\$23 million as at 31 December 2022)). Restricted cash was not treated as cash for the purpose of calculating EV. 3. Scott Dunn has a 31 October year end. The 30 June 2023 financial information presented represents unaudited six months of actual results from 1 July 2022 to 31 December 2022 and six months of forecasts from 1 January 2023 to 30 June 2023. 4. EV and EBITDA in GBP. 5. Awards include Condé Nast Traveller Readers' Choice (2013-22), Junior Design Awards – Best Family Travel Brand (2021 Silver and 2022 Bronze), Robb Report - Best of the Best (2021), Spear's Magazine - Top Recommended Travel Service Provider (2022). 6. Scott Dunn historical financials converted from GBP to AUD based on average monthly exchange rate over the period shown. Forecast financials converted from GBP to AUD at an exchange rate of 0.57. 7. Reflects the combination of Scott Dunn and Travel Associates. Prior to the realisation of synergies and the impact of one-off transaction costs. 8. EPS accretion for a full 12 months and is before amortisation of identifiable intangibles that will be recognised as a result of the Acquisition. Excludes any impact of shares that may be issued under the SPP.

# Transaction overview (cont.)

<b>Flight Centre 1H23 results</b>	<ul style="list-style-type: none"> <li>On the basis of management accounts which are preliminary and unaudited<sup>1</sup>, Flight Centre's 1H23 results are expected to be:             <ul style="list-style-type: none"> <li>Group TTV of A\$9.9 billion</li> <li>Group revenue of A\$1.0 billion</li> <li>Group underlying EBITDA of A\$95 million</li> </ul> </li> <li>Group TTV for the half has more than tripled compared to the pcp and was only marginally behind the FY22 full year total</li> <li>Corporate outpacing industry recovery with strong 1H23 TTV and on track to deliver record FY23 TTV</li> <li>Strong recovery in Leisure TTV compared to 1H22 as normal travel patterns resume</li> </ul>
<b>Trading update and outlook</b>	<ul style="list-style-type: none"> <li>Preliminary unaudited 1H23 underlying EBITDA of A\$95 million outperforming initial guidance range of A\$70 – 90 million, driven by core trading performance that is expected to continue to deliver strong growth in 2H23</li> <li>Targeting A\$250 million – 280 million underlying EBITDA for FY23 prior to the benefits of the Acquisition</li> <li>Group revenue margin above pcp, tracking as expected across both Corporate and Leisure. Further recovery expected as conditions normalise and as strategic initiatives gain traction</li> <li>1H23 underlying cost margin (excluding hotels and touring) of ~10% of TTV represents an all time low</li> <li>Flight Centre continues to target PBT margins of ~2% by 2025</li> </ul>
<b>Acquisition funding and equity raising</b>	<ul style="list-style-type: none"> <li>Acquisition funded by a A\$180 million underwritten institutional placement to eligible investors<sup>2</sup> (<b>Placement</b>) and A\$40 million of existing cash on balance sheet<sup>3</sup> (collectively, with the Acquisition, the <b>Transaction</b>), prior to receipt of any funds raised under the share purchase plan (<b>SPP</b>), which aims to raise up to A\$40 million<sup>4</sup></li> <li>The offer price of A\$14.60 per share represents a 7.8% discount to Flight Centre's last traded price of A\$15.83 on Monday, 30 January 2023</li> <li>Eligible existing shareholders will be offered the ability to participate in a non-underwritten SPP to raise up to A\$40 million<sup>4</sup> (together with the Placement, the <b>Offer</b>)</li> </ul>
<b>Balance sheet and cash</b>	<ul style="list-style-type: none"> <li>As at 31 December 2022, adjusted to include the impact of the Transaction, Flight Centre is expected to have pro-forma net cash of A\$453 million<sup>5,6</sup> excluding convertible bonds (A\$800 million face value), and total cash and investments of A\$1,113 million<sup>5,7</sup></li> <li>As previously disclosed, certain covenants under Flight Centre's existing bank facilities are expected to re-commence on 30 June 2023. Flight Centre expects to comply with all covenants by that date</li> </ul>

Notes: This slide contains forward-looking statements or opinions. Please refer to the Disclaimer and Important Notice with respect to such statements starting on slide 2. 1. Figures remain subject to finalisation, auditor review and Board review and sign-off, and may change. Such changes may be material. 2. Refer to 'Underwriting risk' in paragraph 2.2 of the 'Key risks' on slides 35 to 56 of this presentation for further information. 3. Refer to paragraph 3.6 of the 'Key risks' on slides 35 to 56 of this presentation for further information. 4. The securities to be offered and sold in the SPP may not be offered or sold, directly or indirectly, in the United States or to any person that is acting for the account or benefit of a person in the United States (to the extent that such person is acting for the account or benefit of a person in the United States). 5. Flight Centre unaudited balance sheet as at 31 December 2022. Scott Dunn unaudited balance sheet as at 31 December 2022. 6. Net cash / (debt) represents cash and cash equivalents (excluding Flight Centre restricted cash and Scott Dunn restricted cash) plus Flight Centre financial investments less total borrowings. Excludes Flight Centre lease liabilities of A\$266 million, convertible bonds and Scott Dunn lease liabilities of £0.8 million (A\$1.4 million). 7. Flight Centre cash and investments includes A\$59 million of financial investments and A\$274 million of restricted cash, Scott Dunn cash and cash equivalents includes £13 million (A\$23 million) of restricted cash.



# Acquisition overview



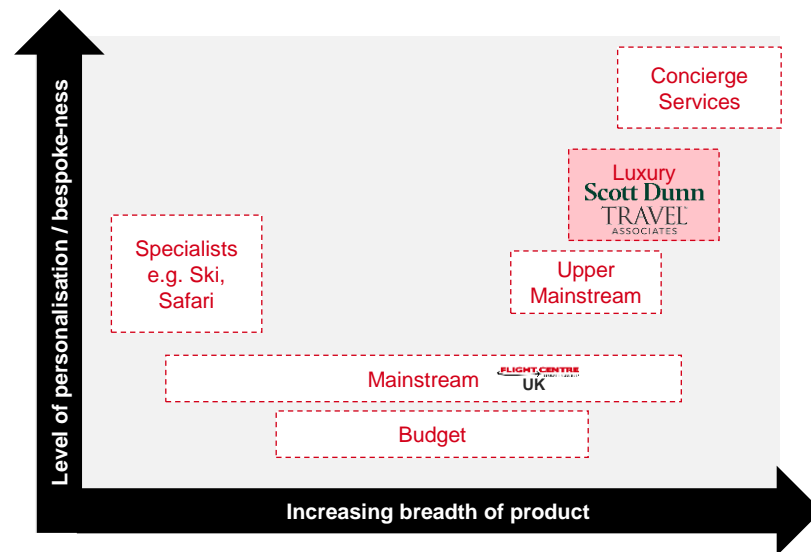
# Overview of Scott Dunn

Scott Dunn is a multi-award winning, guest-centric brand specialising in tailor-made, luxury holiday packages

## Overview

- Established in 1986 as a luxury ski operator
- Today operates as a leading provider of tailor-made, luxury holiday packages
  - Scott Dunn provides end-to-end packages including flights, accommodation and activities with a broad product offering and full flexibility to personalise the itinerary
  - This allows Scott Dunn to capture margin across each component of the booking
- Strong market position within the resilient and high growth luxury sector
- Established UK business, growing in the US and Singapore markets
- More than 200 FTEs<sup>1</sup> across London (UK), San Diego (US) and Singapore
- Extensive and diverse product range of bespoke holiday packages, aligned to the needs of the luxury segment with product offering ranging from honeymoons to Explorers Kids Clubs, safaris, tailor-made touring, ski holidays and expedition cruising
- Clear and well-defined brand identity and reputation – winner of the Conde Nast Traveller Readers' Choice Award every year since 2013

## Scott Dunn market position



# Geographic and product focus

Scott Dunn has an established UK business and is focussed on growing in the large and attractive US market

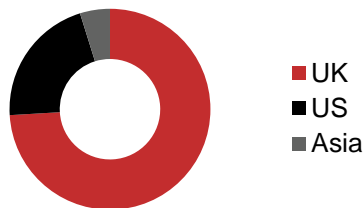
## Geographic focus

- Scott Dunn has an established business in the UK, growing business in the US and a small but profitable business in Singapore
- Flight Centre believes there is significant headroom for further growth in the UK market
- Continued expansion into the large US market is a key growth strategy built on the initiatives that have already delivered growth in the UK
- Further growth in the US is likely to be supported by Scott Dunn's strong product offering and the ongoing shift towards luxury "private" travel
  - *Private travel involves a private party of visitors and the flexibility to personalise the itinerary vs. traditional group travel involving independent parties with a set departure date and itinerary*

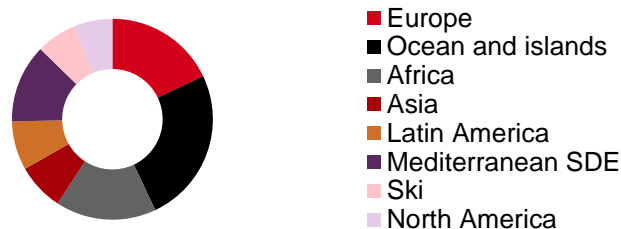
## Product offering

- Scott Dunn's diverse product offering is tailored to the needs of its high income and high-net-worth customer base
- Scott Dunn also provides tailored offerings for specific customer demographics:
  - **Scott Dunn Private:** exclusive offering for Scott Dunn's highest value guests and operates a highly personalised, relationship-management model where each member is assigned a Personal Travel Adviser
  - **Scott Dunn Explorers (SDE):** targets families with young children, provides an important entry point to the brand and captures guests early in their lifetimes (Scott Dunn's average booker age of 48 is below many competitors in the luxury segment)

## FY22A (Oct Y/E) TTV by geography<sup>1</sup>



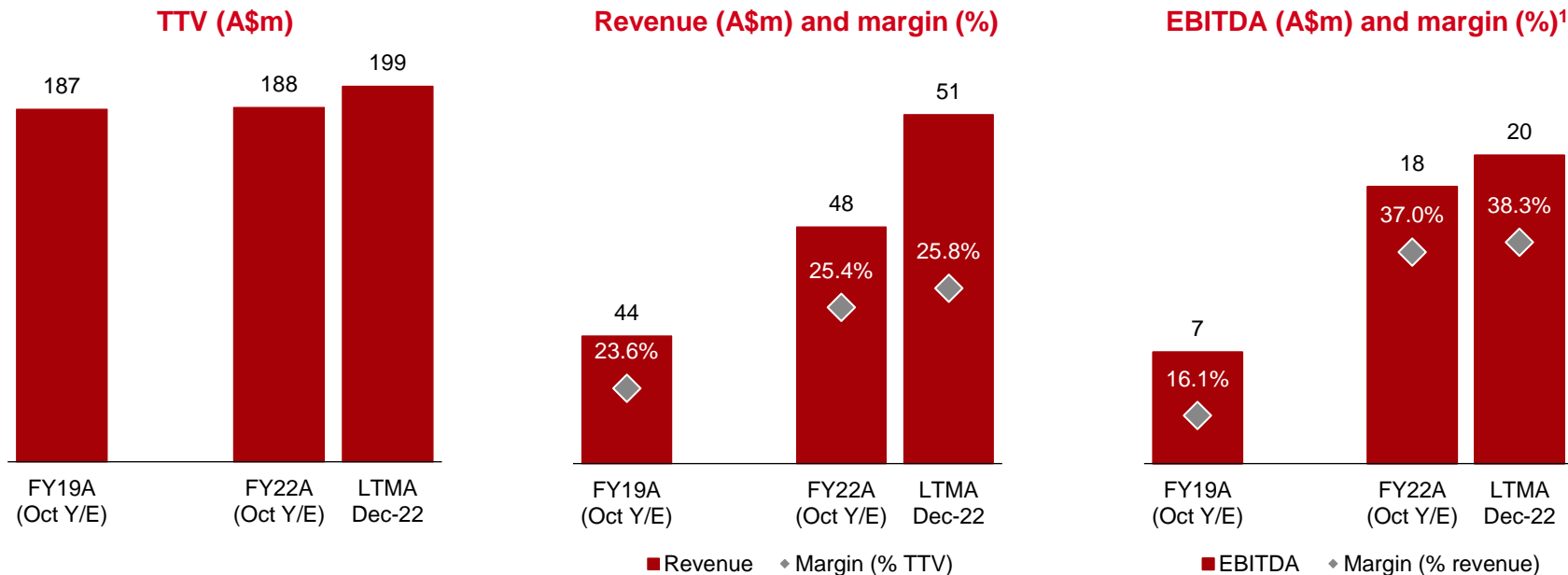
## FY22A (Oct Y/E) TTV by destination location<sup>1</sup>



Notes: Scott Dunn information per diligence materials provided by Scott Dunn. Please refer to the Disclaimer and Important Notice with respect to 'Other Sources of Scott Dunn Information' starting on slide 2. Scott Dunn financials have been adjusted for certain adjustments, normalisations identified during Flight Centre's limited due diligence, accounting principles consistent with those that will be applied under Flight Centre ownership. Refer to paragraph 3.11 of the 'Key risks' on slides 35 to 56 of this presentation for further information. 1. TTV recognised at the time of departure for the UK and at the time of booking for the US and Singapore, all shown on an October Y/E basis.

# Scott Dunn financial summary

Scott Dunn has achieved strong recovery in TTV and earnings post-COVID

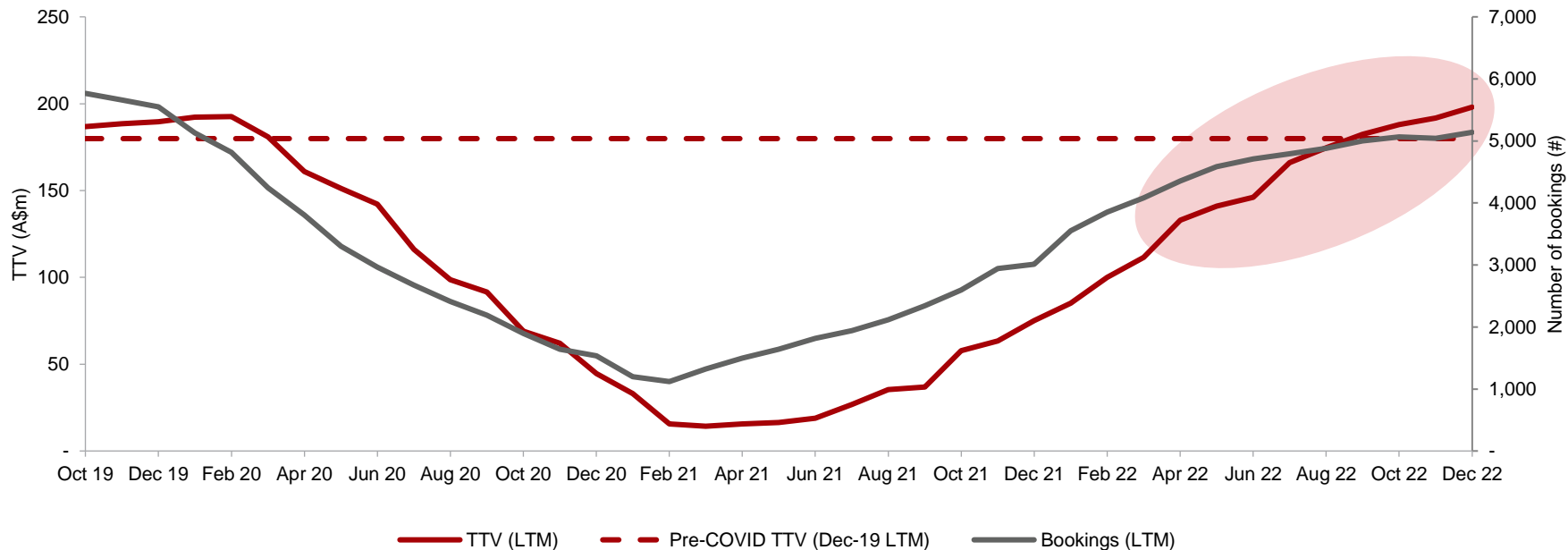


Notes: Scott Dunn financials converted from GBP to AUD based on average monthly exchange rate over the period shown. These financials have been adjusted for certain adjustments, normalisations identified during Flight Centre's limited due diligence, accounting principles consistent with those that will be applied under Flight Centre ownership and estimated IFRS 16 adjustments to be presented on a post-IFRS 16 basis. Refer to paragraph 3.11 of the 'Key risks' on slides 35 to 56 of this presentation for further information. 1. FY22A (Oct Y/E) EBITDA includes customary year-end adjustments relating to holiday pay provisions and staff travel funds which reduced EBITDA by approximately £15,000. This year-end adjustment has been applied to the 12 months to 31 December 2022 and the 12 months to 30 June 2023 as an approximate estimate of the accrual in these periods. No year-end adjustments have been made to FY19A (Oct-YE). Unrealised FX gains / losses have been excluded from the financials presented. Due to the COVID pandemic and associated border closures, as was the case for other major travel companies, Scott Dunn was loss making during FY20A (Oct Y/E) and FY21A (Oct Y/E).

# Recent trading momentum

Scott Dunn's post-COVID trajectory continues, with TTV above pre-COVID levels from October 2022 onwards

## Historical trading momentum



Notes: Scott Dunn financials converted from GBP to AUD based on average monthly exchange rate over the period shown. These financials have been adjusted for certain adjustments, normalisations identified during Flight Centre's limited due diligence, accounting principles consistent with those that will be applied under Flight Centre ownership. Refer to paragraph 3.11 of the 'Key risks' on slides 35 to 56 of this presentation for further information. Pre-COVID TTV shown as December 2019 LTM TTV.

# Recent investment has repositioned platform

Scott Dunn's Transformation Program has driven operational improvement and has established a scalable platform to support further growth

FY19A: Strategic review	FY19A-21A: Transformation program	Today
<ul style="list-style-type: none"> <li>• Operationally complex legacy business</li> <li>• Sub-optimal marketing spend</li> <li>• Limited focus on pricing and supplier management</li> <li>• Inconsistent operating model across UK, US and Singapore</li> </ul>	<ul style="list-style-type: none"> <li>• Exited unprofitable Chalet and Villas business and integrated Imagine Travel brand into Scott Dunn</li> <li>• Repositioned Singapore business</li> <li>• Full organisational redesign with new CEO appointed and new senior management hires</li> <li>• Significant investment in people, capabilities and technology, enhancing:               <ul style="list-style-type: none"> <li>✓ Performance-driven culture and guest-centric service</li> <li>✓ Pricing capability and product portfolio</li> <li>✓ Brand strategy and marketing effectiveness</li> <li>✓ Reinvigorated Scott Dunn Private</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>✓ Website re-launched</li> <li>✓ In-house core application set integrating third-party solutions</li> <li>✓ Step-change across core KPIs delivered</li> <li>✓ Clear strategy in place to drive future growth</li> <li>✓ A highly engaged and motivated management team eager to accelerate growth into the long-term</li> <li>✓ Strong employee engagement</li> </ul>

## Delivering a step change in financial performance from FY19A to FY22A

<p><b>~A\$37.1k</b></p> <p>FY22A Oct Y/E average booking value +24.1% vs FY19A Oct Y/E</p>	<p><b>25.4%</b></p> <p>FY22A Oct Y/E revenue margin<sup>1</sup> vs 23.6% in FY19A Oct Y/E</p>	<p><b>37.0%</b></p> <p>FY22A Oct Y/E EBITDA margin<sup>2</sup> vs 16.1% in FY19A Oct Y/E</p>
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Notes: Scott Dunn financials converted from GBP to AUD based on average monthly exchange rate over the period shown. These financials have been adjusted for certain adjustments, normalisations identified during Flight Centre's limited due diligence, accounting principles consistent with those that will be applied under Flight Centre ownership and estimated IFRS 16 adjustments to be presented on a post IFRS 16 basis. Refer to paragraph 3.11 of the 'Key risks' on slides 35 to 56 of this presentation for further information. 1. Revenue as % of TTV. 2. EBITDA as % of revenue.

# Transaction highlights and strategic rationale



# Transaction highlights



- ✓ Entry point into the UK and US luxury market to complement the existing global Leisure offering in a segment of the market where Flight Centre is underrepresented
- ✓ High margin market segment with resilient characteristics
- ✓ High value and growing loyalty amongst customers
- ✓ Scalable brand and capabilities to accelerate growth utilising the Flight Centre platform and infrastructure
- ✓ Expected to deliver attractive financial outcomes through the combination
- ✓ Culturally aligned organisation with strong management team committed to continued growth plans



# Complements existing Leisure brand portfolio

The acquisition of Scott Dunn is aligned with Flight Centre's strategy to grow the current luxury offering globally

		B2C	B2B
Mass market / generalist	Luxury	Complementary	Independent
	 	   	
Modern omni-channel retailer famous for flights + holidays + deals	Creating a global luxury collection of brands, designing one of a kind experiences for discerning / luxury travellers through Travel Associates and Scott Dunn (UK, US and Singapore)	Specialist product brands: <ul style="list-style-type: none"> <li>• ready-made holidays</li> <li>• foreign exchange</li> <li>• student / youth travel online</li> <li>• and more...</li> </ul> accelerating to be #1 in their segment	The fastest growing community of independent travel agents and member groups, with access to market leading content, products and commercials



Provide customers with: widest range of products, services and value in travel



Provide suppliers with: access to the most valuable and diverse range of customers

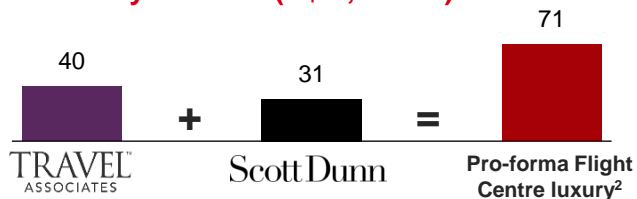
# Entry point into the UK and US luxury market

The acquisition of Scott Dunn provides an attractive opportunity for Flight Centre to establish a presence in the UK and US luxury markets

## Diversifies and extends existing Leisure business

- Adds scale to Flight Centre's existing luxury offering globally (Travel Associates)
- Diversifies Flight Centre's offering geographically, and into the higher-margin luxury package model
- Adds a large customer base of high-net-worth individuals
  - Growing number of repeat bookings
  - High value, complex booking transactions
- Scott Dunn generated A\$118 million of TTV, A\$31 million of revenue and A\$13 million of EBITDA in 1H23<sup>1</sup>

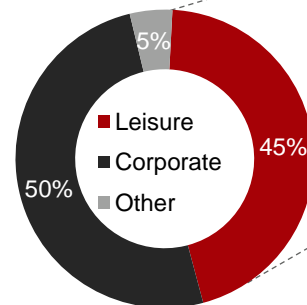
## Pro-forma Flight Centre luxury revenue (A\$m, 1H23<sup>1</sup>)



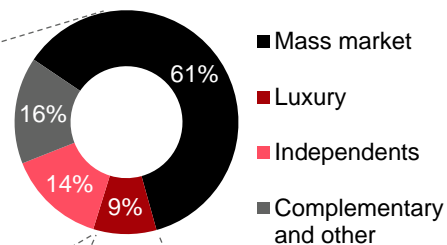
% Flight Centre Group	4.0%	3.1%	7.1%
% Flight Centre Leisure	8.5%	6.6%	15.1%

## Increases exposure to high quality luxury segment<sup>1</sup>

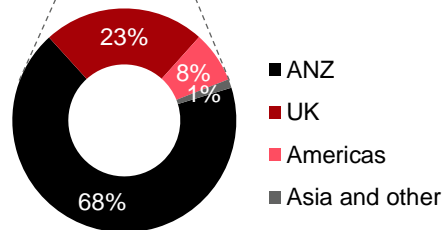
### Pro-forma 1H23 Group TTV<sup>1</sup>



### Pro-forma 1H23 leisure TTV<sup>1</sup>



### Pro-forma 1H23 luxury TTV<sup>1</sup>

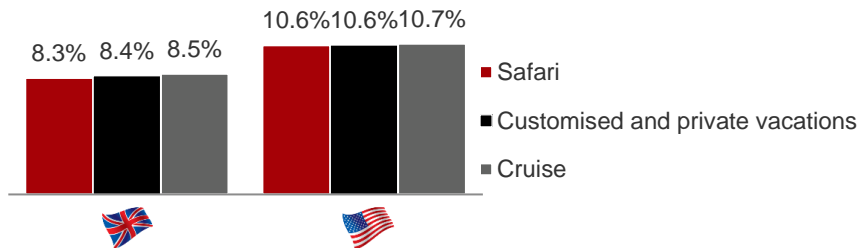


Notes: Scott Dunn financials converted from GBP to AUD based on average monthly exchange rate over the period shown. These financials have been adjusted for certain adjustments, normalisations identified during Flight Centre's limited due diligence, accounting principles consistent with those that will be applied under Flight Centre ownership. Refer to paragraph 3.11 of the 'Key risks' on slides 35 to 56 of this presentation for further information. 1. Represents unaudited financials for the 6 months to 31 December 2022. Prior to the realisation of synergies and the impact of one-off transaction costs. 2. Represents the combination of Travel Associates globally and Scott Dunn.

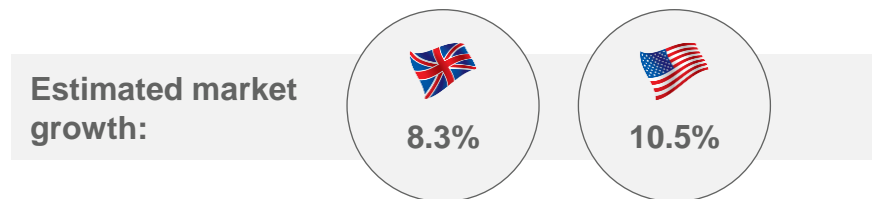
# High margin market with resilient characteristics

Increases Flight Centre's exposure to high growth luxury travel market with Scott Dunn and Travel Associates recovering faster than mass market post COVID

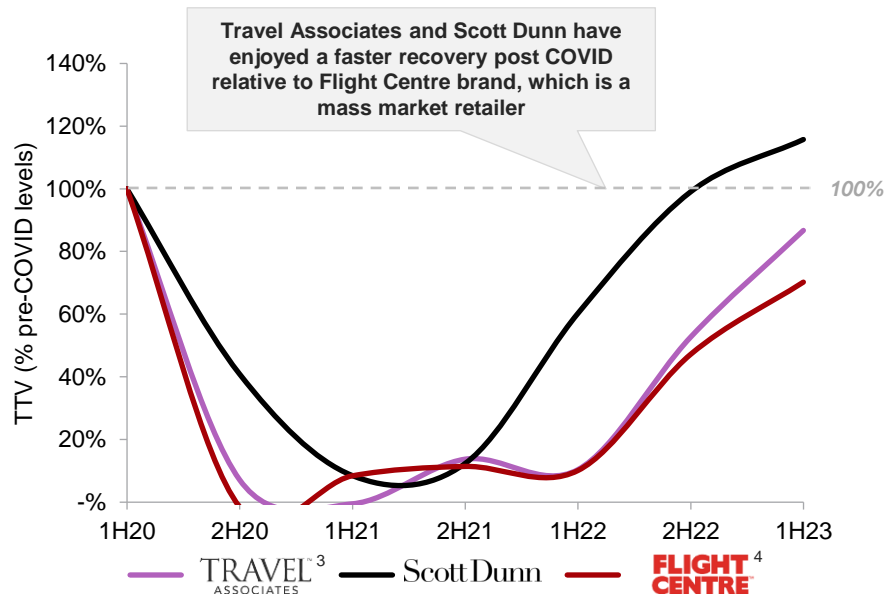
Estimated market growth by luxury holiday type (2022-32F CAGR)<sup>1</sup>



Total luxury travel market growth (2022-32F CAGR)<sup>1</sup>



Scott Dunn and Flight Centre's luxury travel has recovered faster than mass-market<sup>2</sup>



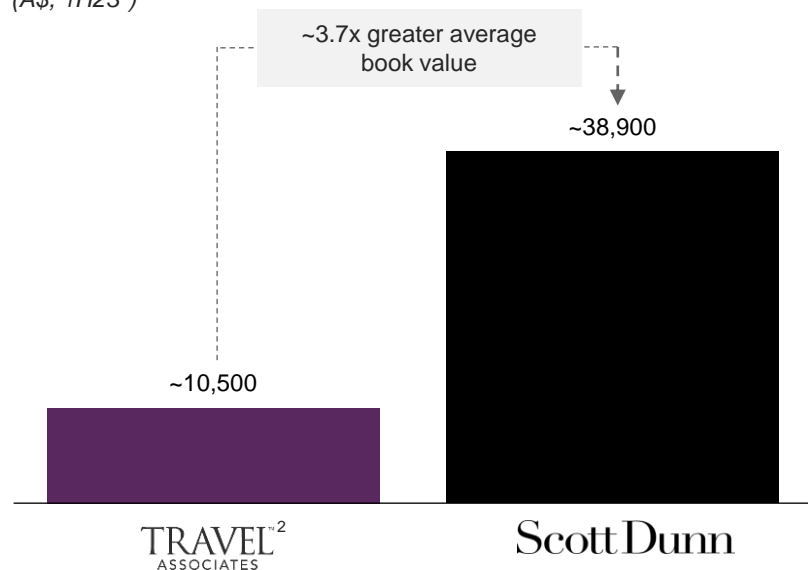
Notes: Scott Dunn financials have been adjusted for certain adjustments, normalisations identified during Flight Centre's limited due diligence, accounting principles consistent with those that will be applied under Flight Centre ownership. Refer to paragraph 3.11 of the 'Key risks' on slides 35 to 56 of this presentation for further information. 1. Flight Centre estimates. 2. Chart presents half year TTV divided by the corresponding period in calendar year 2019 (for example, 1H23 compared to 1H19). 3. Relates to Travel Associates Australia TTV only. 4. Flight Centre brand relates to Flight Centre brand TTV only.

# High value and loyal customer base

Scott Dunn's earnings are supported by repeat spend from high value customers that are attracted to Scott Dunn's full-service offering

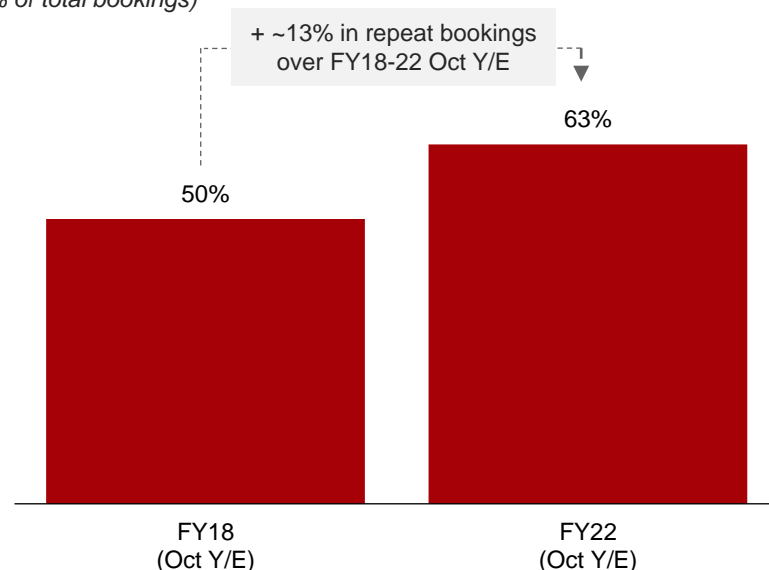
Affluent, high quality customer base reflected by average booking value

**Average booking value**  
(A\$, 1H23<sup>1</sup>)



Scott Dunn's effective guest retention and significant repeat spend is improving off an already high base

**Scott Dunn repeat bookings**  
(% of total bookings)



Notes: Scott Dunn financials converted from GBP to AUD based on average monthly exchange rate over the period shown. Scott Dunn financials have been adjusted for certain adjustments, normalisations identified during Flight Centre's limited due diligence, accounting principles consistent with those that will be applied under Flight Centre ownership. Refer to paragraph 3.11 of the 'Key risks' on slides 35 to 56 of this presentation for further information. 1. Represents unaudited financials for the 6 months to 31 December 2022. 2. Represents the average booking value for Travel Associates Australia only. Average booking value is recognised at time of initial booking rather than final payment, and may be subject to change.

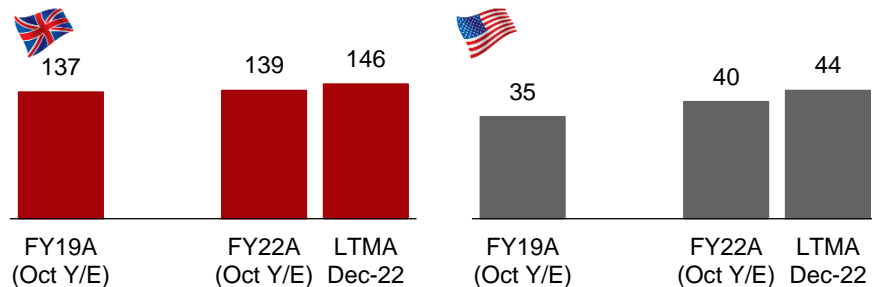
# Scalable brand to accelerate growth utilising Flight Centre capability

Scott Dunn operates in an attractive segment of the luxury market which is expected to continue to grow

## Scott Dunn to accelerate the growth of the global Leisure business

- Flight Centre will be well placed to target a range of customer needs through its various brands, from mass-market to curated packages
- Scott Dunn's US growth strategy is expected to be accelerated by Flight Centre's strong existing US capabilities

## Scott Dunn growth in TTV by region<sup>1</sup>



Notes: Scott Dunn financials converted from GBP to AUD based on average monthly exchange rate over the period shown. Scott Dunn financials have been adjusted for certain adjustments, normalisations identified during Flight Centre's limited due diligence, accounting principles consistent with those that will be applied under Flight Centre ownership. Refer to paragraph 3.11 of the 'Key risks' on slides 35 to 56 of this presentation for further information. 1. Due to the COVID pandemic and associated border closures, as was the case for other major travel companies, Scott Dunn's TTV in both the UK and US was significantly reduced during FY20A (Oct Y/E) and FY21A (Oct Y/E).

## Flight Centre initiatives to grow the brand

The combination of the two businesses is expected to accelerate Flight Centre's stated strategy to grow its luxury offering into a global business



Over 40 years experience scaling the flagship Flight Centre brand and growing new brands



Well established in key target growth markets for Scott Dunn, including the US, with deep knowledge of market and regulatory dynamics



Brings significant resources to support Scott Dunn's growth ambitions, leveraging shared services, digital capabilities and supply capability

# Expected financial outcomes through combination

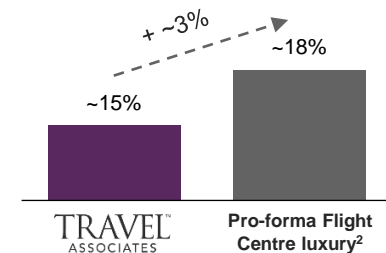
Scott Dunn offers exposure to a higher margin leisure model operating in an appealing category

## Expected financial outcomes

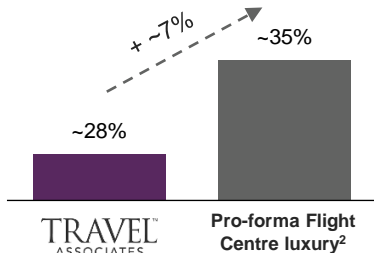
- Scott Dunn is a high revenue and EBITDA margin travel business
- The Transaction is expected to be mid-teens percentage EPS accretive in the 12 months to 30 June 2023 on a pro-forma basis prior to the realisation of synergies and the impact of one-off transaction costs<sup>1</sup>
- The acquisition of Scott Dunn is expected to generate modest net corporate cost and supplier synergies, with limited one-off costs to achieve

## Pro-forma Acquisition margin impact (vs Travel Associates)<sup>2</sup>

1H23 revenue margin (% of TTV)

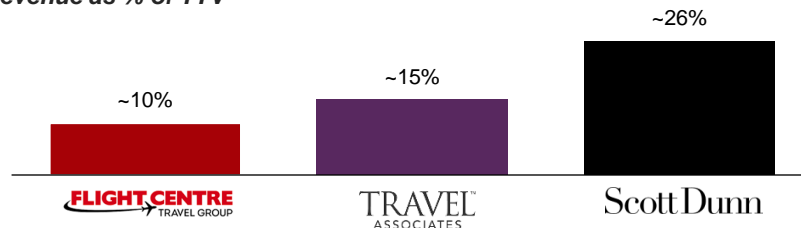


1H23 EBITDA margin (% of revenue)



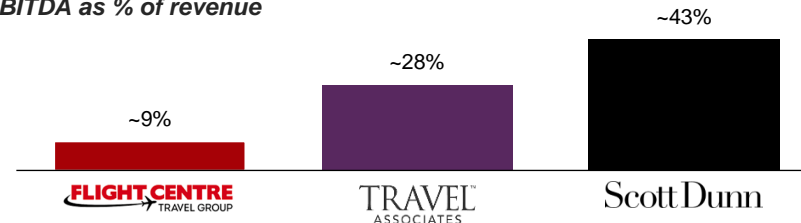
## 1H23 revenue margin<sup>2</sup>

Revenue as % of TTV



## 1H23 underlying EBITDA margin<sup>2</sup>

EBITDA as % of revenue



Notes: This slide contains forward-looking statements or opinions. Please refer to the Disclaimer and Important Notice with respect to such statements starting on slide 2. Scott Dunn financials converted from GBP to AUD based on average monthly exchange rate over the period shown. These financials have been adjusted for certain adjustments, normalisations identified during Flight Centre's limited due diligence, accounting principles consistent with those that will be applied under Flight Centre ownership. Refer to paragraph 3.11 of the 'Key risks' on slides 35 to 56 of this presentation for further information. 1. Scott Dunn has a 31 October year end. The 30 June 2023 financial information presented represents unaudited six months of actual results from 1 July 2022 to 31 December 2022 and six months of forecasts from 1 January 2023 to 30 June 2023. Forecast financials converted from GBP to AUD at an exchange rate of 0.57. EPS accretion for a full 12 months and is before amortisation of identifiable intangibles that will be recognised as a result of the Acquisition. Excludes any impact of shares that may be issued under the SPP. 2. Represents unaudited financials for the 6 months to 31 December 2022. Shown as the pro-forma impact of combining Travel Associates 1H23 performance with Scott Dunn over the same period. Prior to the realisation of synergies and the impact of one-off transaction costs.

# High quality management team

Scott Dunn's highly experienced management team will be retained and transitioned to an incentive plan to support the ongoing growth of the Scott Dunn business

## Management team and integration plan

- High quality management team that has re-positioned the business through the challenging COVID period
- Strong cultural alignment with Flight Centre – focussed on growth and delivering best in class service to customers
- Following the Acquisition, Scott Dunn will continue to operate as an independent unit, with corporate support provided by Flight Centre
- Focus of Scott Dunn and Flight Centre management will be on consolidating growth in the UK and accelerating the growth in the US
- To support continued growth, the Scott Dunn Senior Management Team will be eligible to participate in Flight Centre's existing retention plan that incentivises employees to stay with the company and continue their careers within Flight Centre
  - Post Acquisition, Sonia Davies (Scott Dunn CEO) intends to invest a material amount in Flight Centre's senior executive BOS scheme, linked to the performance of Scott Dunn. The BOS scheme is designed to retain key executives and incentivise and reward growth

## Scott Dunn Senior Management Team



**Sonia Davies**  
Chief Executive Officer



**Mark Woodall**  
Chief Financial Officer



**Simon Lynch**  
Global Sales and Product Director



**Andre Rickerby**  
Chief Marketing Officer



**Will Solomon**  
Chief Technology Officer



**Shelly Voecks**  
Chief People Officer



**John Spence**  
President, USA



**Mike Harlow**  
General Manager,  
Singapore



**Bridget Lackie**  
General Manager, USA

# Flight Centre 1H23 expected result, trading update and outlook





# 1H23 expected result

Underlying EBITDA of A\$95 million outperforming initial guidance range of A\$70 million – A\$90 million, driven by core trading performance that is expected to continue to deliver strong growth in 2H23

## 1H23 expected result based on preliminary, unaudited management accounts

A\$m	1H23	1H22A	1H19A
Corporate TTV	5,040	2,048	4,203
Leisure TTV	4,389	811	6,186
Other TTV	456	404	766
<b>Group TTV</b>	<b>9,886</b>	<b>3,263</b>	<b>11,155</b>
<b>Group revenue</b>	<b>1,002</b>	<b>316</b>	<b>1,462</b>
<b>Group underlying EBITDA</b>	<b>95</b>	<b>(184)</b>	<b>na<sup>1</sup></b>
<i>Revenue / TTV margin</i>	<i>10.1%</i>	<i>9.7%</i>	<i>13.1%</i>
<i>U/L EBITDA / revenue margin</i>	<i>9.5%</i>	<i>nmf</i>	<i>na<sup>1</sup></i>
<i>U/L cost / TTV margin<sup>2</sup></i>	<i>9.9%</i>	<i>18.9%</i>	<i>11.1%</i>

## Commentary

### Group

- Group TTV for the half has more than tripled compared to the pcp and was only marginally behind the FY22 full year total
- Group revenue margin above pcp, tracking as expected across both Corporate and Leisure
  - Further recovery expected as conditions normalise and as strategic initiatives gain traction
- 1H23 underlying cost margin<sup>2</sup> of 10% of TTV represents an all time low which is helping offset lower revenue margins
- 39% of 1H23 incremental revenue converted to underlying EBITDA compared to pcp with a long term target of 40%+

### Corporate

- Outpacing industry recovery with record 1H23 TTV and on track to deliver record FY23 TTV
- Higher-than-normal airfare pricing contributing to TTV growth but continuing to adversely impact revenue margin in segments that earn fixed dollar fees. Corporate revenue margin tracking at 9% globally
- Monthly Corporate EBITDA continued to track in line with the trading result provided at the AGM during November, prior to the impacts of normal seasonality being seen during December
- Continuing to gain market share through high customer retention rates and large volume of new account wins on both SME and TMS sectors
- Recent large contract wins continuing to be onboarded, but not yet fully run-rated in 1H23

Notes: 1H23 financials are estimates only, based on preliminary, unaudited financial results for the half year ended 31 December 2022. Figures remain subject to finalisation, auditor review and Board review and sign-off, and may change. Such changes may be material. 1. 1H19A EBITDA excluded on the basis it is pre-IFRS 16 statutory EBITDA and not comparable to post-IFRS 16 underlying EBITDA. 2. Excludes cost of touring and hotels.

# 1H23 expected result (cont.)

Flight Centre reported a strong cash position, with A\$1,128 million in cash and investments as at 31 December 2022

## 1H23 expected result based on preliminary, unaudited management accounts

A\$m	1H23	1H22A	1H19A
Corporate TTV	5,040	2,048	4,203
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Notes: 1H23 financials are estimates only, based on preliminary, unaudited financial results for the half year ended 31 December 2022. Figures remain subject to finalisation, auditor review and Board review and sign-off, and may change. Such changes may be material. Flight Centre unaudited balance sheet as at 31 December 2022. Scott Dunn unaudited balance sheet as at 31 December 2022. 1. 1H19A EBITDA excluded on the basis it is pre-IRS 16 statutory EBITDA and not comparable to post-IFRS 16 underlying EBITDA. 2. Excludes cost of touring and hotels. 3. Restricted cash relates to cash held within legal entities of the Group for payment to product and service suppliers or cash held for supplier guarantees. Restricted cash includes monies paid to the Group by customers for payment to local International Air Transport Association (IATA) for ticketed travel arrangements. 4. Net cash / (debt) represents total cash (excluding restricted cash of A\$274 million) plus Flight Centre financial investments of A\$59 million less total borrowings. Excludes lease liabilities of A\$266 million and convertible bonds.

## Commentary (cont.)

### Leisure

- Strong recovery in TTV compared to 1H22 as normal travel patterns resume, with TTV generated by a diverse suite of models and brands that are geared towards delivering scalable growth
- As flagged previously, a shift in business mix is impacting overall Leisure revenue margins. Growth in lower revenue and cost margin businesses such as Travel Money, Online and Independents in 1H23 resulted in a blended Leisure revenue margin of 10.7%
- Flight Centre brand revenue margins continue to recover as expected
- Monthly Leisure EBITDA improved during November and December compared to the average run-rate for the first four months of the financial year
- Leisure consultant productivity remains much higher than pre-COVID periods and is expected to remain above pre-COVID productivity levels

### Balance sheet (prior to the impacts of the Transaction)

- Strong 1H23 cash position, including A\$1,128 million in cash and investments
  - Includes A\$59 million of financial investments and A\$274 million of restricted cash<sup>3</sup>
- Net cash of A\$489 million as at 31 December 2022<sup>4</sup> excluding convertible bonds (A\$800 million face value)
- Modest operating cash outflow of approximately A\$65 million recorded, in line with normal seasonality and traditional cash flow patterns
  - Flight Centre typically accumulates cash during peak booking seasons in the 2H of the FY and pays suppliers after peak travel seasons during the following 1H of the following FY
- Capital expenditure of approximately A\$40 million
- Revenue margin improvement includes recovery in override revenue, that will be converted to cash in 2H23 under normal contract terms

# Flight Centre FY23E: Opportunities in a recovering market

## Considerable pent-up demand yet to flow through

- **Resilience of global travel market**

- Consistent year-on-year growth in outbound travel delivered pre-COVID
- Travel is a discretionary product that customers invest in every year
- Revenue margin in both Corporate and Leisure recovering toward pre-COVID levels, as expected, with Group revenue margin tracking well above pcp. Further recovery expected as conditions normalise and as strategic initiatives gain traction
- Impact of lower revenue margins to be offset by cost margin improvements – cost base now fundamentally and structurally lower than pre-COVID

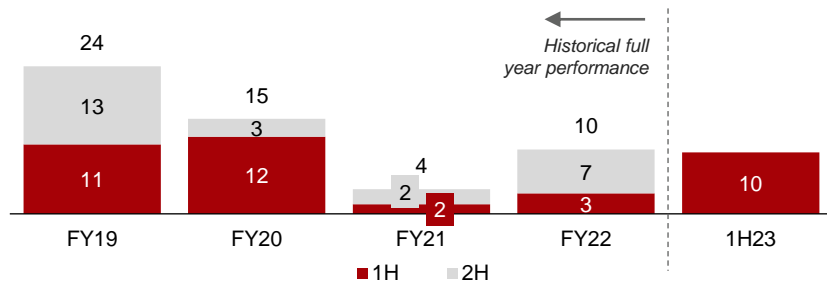
- **Greater need for expert assistance**

- Current complexity plays to Flight Centre's strengths in both Leisure and Corporate businesses

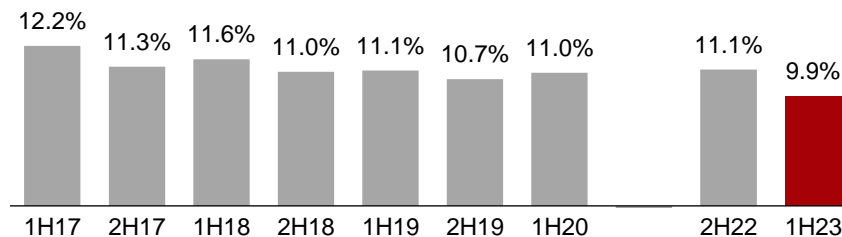
- **Upside potential as normal travel patterns resume**

- Considerable pent-up demand yet to flow through in leisure in particular - outbound travel (Leisure business's core product) rebounding but still well below pre-COVID levels with Australian short-term resident departures at <70% of pre-COVID levels for the five months to November 2022<sup>1</sup>
- Airline capacity was ~70% of pre-COVID levels in December 2022 in Australia and ~80% internationally
- Chinese carriers are increasing international services to meet government capacity mandate (80% of pre-COVID by the end of 2023), with China Southern flying daily between Sydney and Guangzhou from 1 February 2023 and Cathay Pacific increasing capacity in Australia and other key markets

## Flight Centre TTV recovery (A\$bn)



## Underlying cost margin<sup>2</sup> recovery (%)



Notes: 1. As per ABS data. Short-term resident departing from June 2022 to November 2022 as a percentage of June 2019 to November 2019. 2. Underlying cost margin represents underlying costs / TTV. Excludes cost of touring and hotels.

# FY23E: Flight Centre outlook

**Prospect of stronger profit growth in months ahead, given ongoing solid demand and margin improvement trajectory**

- Targeting A\$250 – 280 million underlying EBITDA for FY23 prior to the benefits of the Acquisition
  - The mid-point implies a 35% / 65% profit split between 1H and 2H respectively, in line with the company's normal seasonality
- 2H23 recovery is expected to be driven by traditional seasonality, further top-line growth, supply chain stability and operational enhancements which are expected to improve margins
- Corporate business set to benefit from new accounts won and onboarded
- Revenue margin expected to increase from current levels, but set to remain below pre-COVID highs because of ongoing and planned business mix changes, cyclical factors and lower supplier margins in some countries and sectors (such as air)
- Targeting 2% PBT margin by 2025, driven by gradual increases in revenue margin as conditions normalise and further cost margin improvements
- Unemployment rates tracking well below historic averages in key markets – high employment levels a potential short-term tailwind in leisure travel sector
- Continuing to monitor macro-economic conditions. No evidence of any material impacts on demand during the early post-COVID recovery phase. TTV continuing to track well above prior period, but below pre-COVID highs at group level, as expected
- Flight Centre will release its full first half accounts on 22 February 2023

# Transaction funding



# Details of the Offer

<b>Institutional placement</b>	<ul style="list-style-type: none"> <li>Underwritten institutional placement to raise A\$180 million (<b>Placement</b>)<sup>1</sup></li> <li>Approximately 12.3 million new shares to be issued under the Placement, representing approximately 6.2% of existing ordinary shares on issue</li> <li>New shares issued under the Placement will rank equally with existing ordinary shares on issue</li> </ul>
<b>Placement price</b>	<ul style="list-style-type: none"> <li>The Placement will be conducted at A\$14.60 per New Share (<b>Placement Price</b>)</li> <li>The Placement Price represents a 7.8% discount to the last traded price of A\$15.83 on Monday, 30 January 2023</li> </ul>
<b>Share Purchase Plan</b>	<ul style="list-style-type: none"> <li>Eligible Flight Centre shareholders with a registered address in Australia or New Zealand as at the Record Date of 7:00pm Sydney, Australia time on Monday, 30 January 2023 (<b>Eligible Shareholders</b>) will also have the opportunity to apply for up to A\$30,000 worth of Flight Centre shares pursuant to a non-underwritten SPP<sup>2</sup></li> <li>Shares under the SPP will be offered at the lower of:             <ul style="list-style-type: none"> <li>A\$14.60 per share, the same as the Placement Price; and</li> <li>a 2.0% discount to the volume weighted average price of Flight Centre shares traded on the 5 trading days up to, and including, the SPP closing date</li> </ul> </li> <li>The SPP is intended to raise up to A\$40 million, with the ability to accept oversubscriptions, subject to the ASX Listing Rules and is not underwritten. Flight Centre may determine to raise a higher or lower amount Flight Centre reserves the right (in its absolute discretion) to scale back applications under the SPP</li> <li>New shares issued under the SPP will rank equally with existing ordinary shares on issue</li> </ul>
<b>Use of proceeds</b>	<ul style="list-style-type: none"> <li>Proceeds of the Placement alongside A\$40 million of existing cash on balance sheet will be used to fund the Acquisition and associated costs prior to receipt of any funds raised under the SPP, which aims to raise up to A\$40 million</li> </ul>
<b>Underwriters</b>	<ul style="list-style-type: none"> <li>Macquarie Capital (Australia) Limited and UBS Securities Australia Limited are Joint Lead Managers, Bookrunners and Underwriters to the Offer</li> </ul>

Notes: 1. Flight Centre has entered into a conditional underwriting agreement pursuant to which the Underwriters have agreed to jointly underwrite the Placement (but not the SPP). The underwriting agreement is subject to customary conditions precedent and termination events. Refer to 'Underwriting risk' in paragraph 2.2 of the 'Key risks' on slides 35 to 56 of this presentation for further information. If the conditions precedent are not satisfied (or waived) or the underwriting agreement is terminated, Flight Centre would need to seek alternative sources of funding in order to complete the Acquisition. 2. The securities to be offered and sold in the SPP may not be offered or sold, directly or indirectly, in the United States or to any person that is acting for the account or benefit of a person in the United States (to the extent that such person is acting for the account or benefit of a person in the United States). Refer to "Funding risk" in paragraph 3.6 of the "Key risks" on slides 35-56 of this presentation for further information.

# Use of proceeds

## Sources and uses of the Transaction

- Acquisition consideration of £120 million (A\$210 million<sup>1</sup>), to be funded via a A\$180 million Placement and A\$40 million of existing cash on balance sheet<sup>2</sup>
- Eligible existing shareholders will also be offered the ability to participate in a non-underwritten SPP to raise up to A\$40 million

## Sources and uses

Sources	A\$m
Gross Placement proceeds <sup>3</sup>	180
Existing cash on balance sheet	40
<b>Total sources</b>	<b>220</b>
Uses	
Acquisition of Scott Dunn <sup>4</sup>	210
Transaction costs	10
<b>Total uses</b>	<b>220</b>

*Excludes any funds raised under the non-underwritten SPP to eligible retail investors which aims to raise up to A\$40m*

## Balance sheet position and cash

- As at 31 December 2022, adjusted to include the impact of the Transaction, Flight Centre is expected to have total pro-forma cash and investments of A\$1,113 million<sup>5,6</sup> and pro-forma net cash of A\$453 million excluding convertible bonds (A\$800m face value)<sup>7</sup>
- As previously disclosed, certain covenants under Flight Centre's existing bank facilities are expected to re-commence on 30 June 2023. Flight Centre expects to comply with all covenants by that date

## Cash and investments (excluding SPP proceeds)

Pro-forma cash and investments	A\$m
Flight Centre cash and cash equivalents (excluding restricted cash)	795
Plus: Flight Centre restricted cash	274
Plus: Flight Centre financial investments	59
<b>Flight Centre cash and investments (as at 31 December 2022)<sup>5</sup></b>	<b>1,128</b>
Plus: Gross proceeds from the Placement	180
Less: Acquisition and transaction costs	(220)
Plus: Scott Dunn cash and cash equivalents (as at 31 December 2022) <sup>6</sup>	26
<b>Total pro-forma cash and investments</b>	<b>1,113</b>

Notes: Flight Centre unaudited balance sheet as at 31 December 2022. Scott Dunn unaudited balance sheet as at 31 December 2022. Flight Centre financials remain subject to finalisation, auditor review and Board review and sign-off, and may change. Such changes may be material. 1. AUD:GBP exchange rate of 0.57. Pre-IFRS 16 basis. Excludes lease liabilities of £0.8 million (A\$1.4 million) as at 31 December 2022. Scott Dunn's restricted cash will be transferred to Flight Centre upon completion of the Acquisition (£13 million (A\$23 million as at 31 December 2022)). Restricted cash was not treated as cash for the purpose of calculating EV. 2. Refer to paragraph 3.6 of the 'Key risks' on slides 35 to 56 of this presentation for further information. 3. Maximum target Placement size. Flight Centre retains absolute flexibility with regard to the final Placement size and may upsize or downsize final allocations to successful eligible participants. 4. Pre-IFRS 16 basis. 5. Includes Flight Centre financial investments of A\$59m, Flight Centre restricted cash of A\$274 million. 6. Includes Scott Dunn restricted cash of £13 million (A\$23 million). 7. Net cash / (debt) represents cash and cash equivalents (excluding Flight Centre restricted cash and Scott Dunn restricted cash) plus Flight Centre financial investments less total borrowings. Excludes Flight Centre lease liabilities of A\$266 million and convertible bonds (A\$800 million face value) and Scott Dunn lease liabilities of £0.8 million (A\$1.4 million).

# Offer timetable

Event	Date
<b>Institutional Placement</b>	
Trading halt and announcement of Offer	Tuesday, 31 January 2023
Trading halt lifted and announcement of completion of Placement	Wednesday, 1 February 2023
Settlement of new shares to be issued under the Placement	Friday, 3 February 2023
Allotment of new shares under the Placement	Monday, 6 February 2023
<b>Share Purchase Plan</b>	
Record Date for eligibility to participate in SPP	Monday, 30 January 2023
Dispatch SPP offer documents and SPP offer open date	Thursday, 9 February 2023
SPP closing date	Monday, 6 March 2023
Announcement of SPP participation and results, allotment of new shares under the SPP	Monday, 13 March 2023
New shares under the SPP commence normal trading	Tuesday, 14 March 2023

Notes: All dates and times are indicative and Flight Centre reserves the right to amend any or all of these events, dates and times subject to the Corporations Act 2001 (Cth), ASX Listing Rules and other applicable laws. All times and dates are in reference to Sydney, Australia time.



## Appendix A

# Pro-forma balance sheet



# Pro-forma balance sheet

A\$m	Flight Centre 31 Dec 2022 unaudited	Placement <sup>2</sup>	Scott Dunn acquisition <sup>3</sup>	31 December 2022 unaudited pro-forma
<b>Assets and liabilities</b>				
Total cash and cash equivalents <sup>1</sup>	1,069	170	(186)	1,053
Other current and non current assets	2,641	1	256	2,897
<b>Total assets</b>	<b>3,710</b>	<b>171</b>	<b>70</b>	<b>3,950</b>
<b>Total liabilities</b>	<b>2,912</b>	<b>(3)</b>	<b>70</b>	<b>2,979</b>
<b>Net assets</b>	<b>798</b>	<b>174</b>	<b>-</b>	<b>972</b>
<b>Equity</b>				
Share capital	1,109	174	-	1,284
Retained earnings and reserves	(313)	0	-	(313)
Non-controlling interests	1	-	-	1
<b>Total equity</b>	<b>798</b>	<b>174</b>	<b>-</b>	<b>972</b>
<b>Net cash / (debt) excluding convertible bonds<sup>4</sup></b>	<b>489</b>	<b>-</b>	<b>(36)</b>	<b>453</b>

Notes: Flight Centre unaudited balance sheet as at 31 December 2022. Scott Dunn unaudited balance sheet as at 31 December 2022. Scott Dunn working capital has not been adjusted for difference to Flight Centre revenue recognition policy, this has no impact on cash and an immaterial impact on net assets. Flight Centre financials remain subject to finalisation, auditor review and Board review and sign-off, and may change. Such changes may be material. Excludes any impact of shares that may be issued under the SPP. 1. Flight Centre cash and cash equivalents includes A\$274m of restricted cash. Scott Dunn cash and cash equivalents includes £13 million (A\$23 million) of restricted cash. 2. A\$180 million Placement net of associated estimated transactions costs of A\$10 million. Includes deferred tax asset adjustment relating to transaction costs. 3. Acquisition on a cash free debt free basis. AUD:GBP exchange rate of 0.57. The locked box date for the Acquisition is 31 July 2022, with Flight Centre receiving the economic exposure and risk to completion from that date. 4. Net cash / (debt) represents cash and cash equivalents (excluding Flight Centre restricted cash of A\$274 million and Scott Dunn restricted cash of £13 million (A\$23 million)) plus Flight Centre financial investments of A\$59 million less Flight Centre total borrowings. Excludes Flight Centre lease liabilities of A\$266 million and convertible bonds (A\$800 million face value) and Scott Dunn lease liabilities of £0.8 million (A\$1.4 million).

# Appendix B

## Key risks



# Key risks

This section describes the key business risks of investing in Flight Centre, the risks relating to participation in the Offer and the risks relating to the proposed acquisition of Scott Dunn, all or any of which may affect the value of Flight Centre shares and its ability to operate as a going concern. It does not describe all the risks of an investment. Before investing in the Company, you should be aware that an investment in Flight Centre has a number of risks, some of which are specific to Flight Centre and some of which relate to listed securities generally, and many of which are beyond the control of Flight Centre.

Investors should consult their own professional, financial, legal and tax advisers about those risks and the suitability of investing in light of their particular circumstances. Investors should also consider publicly available information on Flight Centre (including information available on the ASX website) before making an investment decision.

The risks are categorised as follows:

1. Key business risks
2. Offer and general risks
3. Risks relating to the proposed acquisition of Scott Dunn

References to “Flight Centre”, “the Company” or “the Group” in the key risks section of this Presentation include Flight Centre and its related bodies corporate (as defined in the Corporations Act 2001 (Cth)), where the context requires.

## 1 KEY BUSINESS RISKS

### 1.1 Travel industry disruption and the impact of COVID-19

The Company’s operating and financial performance is dependent on the health of the travel industry generally. A decline in the domestic and/or international travel industry, whether as a result of a particular event (such as a war, terrorist attack, civil unrest, outbreak of disease epidemic/pandemic or a natural disaster, such as earthquakes, tsunamis and volcanic ash clouds), shifting government regulatory environment and economic conditions (such as a decrease in consumer and business demand, persistently high inflation or an economic downturn), general disruption to operation of the industry due to factors such as supply constraints or labour disruption, or any other factors would have a material adverse effect on the Company’s operating and financial performance.

The events relating to COVID-19 resulted in unprecedented restrictions on domestic and international travel, major reductions in airline capacity and general disruption to the tourism industry. These restrictions were imposed by domestic and international governments and regulatory authorities, and/or implemented as a matter of best practice during a health crisis. These developments resulted in declining demand for international and domestic travel and tourism services (including hotels, accommodation and tourism activities) and an increase in travel cancellation rates, which has had a very significant impact on the Company’s business and operations since 2020 and, in particular, the demand for its services. While many countries have vaccination programs in place for COVID-19 and travel restrictions have been largely relaxed or removed altogether, the large scale and challenging logistics of distributing the vaccines, the timing / efficacy / take up of vaccines / boosters, as well as uncertainty over the efficacy of the vaccine against new variants of the virus, may contribute to delays in full economic recovery, particularly for the travel industry. There is a risk that if the spread of COVID-19 (or a related variant) continues or escalates, and/or the actions taken to combat COVID-19 persist or escalate, Flight Centre’s operational and financial performance could deteriorate. Although Flight Centre’s FY22 results showed positive early steps on the path to gradual, ongoing recovery, there is no certainty that demand for Flight Centre’s services will normalise, including to a level existing prior to the impact of COVID-19, or how long such normalisation could take or how long it may last. Furthermore, the COVID-19 period has resulted in material disruption to the commercial relationships and practices that historically operated within the travel sector, partly caused by a reduction in airline capacity, ongoing labour shortages, abnormally high airfares, changing consumer habits and preferences. Again, there is no certainty that these factors will normalize (or how long such normalization could take or how long term it may be).

# Key risks (cont.)

## 1.2 General economic conditions

The Company's operating and financial performance is influenced by a variety of general economic and business conditions in Australia and overseas. A prolonged deterioration in general economic conditions, including a decrease in consumer and business demand, persistently high inflation, an economic recession or downturn, volatility in commodity and financial markets (including interest rates) would likely have a material adverse effect on the Company's business or financial condition (or both). This risk is heightened in the current uncertain economic environment.

In light of recent global macroeconomic events, many countries (including Australia) are experiencing an economic downturn of uncertain severity and duration which will affect discretionary consumer spending on travel and leisure and, in turn, the operating and financial performance of the Group. These impacts could exacerbate the ongoing challenges faced by participants in the travel industry as outlined in 1.1 above. In particular, the economic challenges described in this section are prevalent in the economy of the United Kingdom. As Scott Dunn has a significant presence in the United Kingdom, this will increase the impact of any deterioration in the economic conditions in the United Kingdom on the Group's financial position following completion of the Acquisition.

There are also other changes in the macroeconomic environment which are also beyond the control of Flight Centre and may be exacerbated in an economic recession or downturn. These include, but are not limited to:

- changes in inflation, interest rates, commodity prices and foreign currency exchange rates;
- changes in employment levels and labour costs, which will affect the cost structure of the Group;
- changes in aggregate investment and economic output; and
- other changes in economic conditions which may affect the revenue or costs of the Group.

In particular, the greatest impact to demand for Flight Centre's leisure business is unemployment levels. While interest rate changes and inflation are more likely to impact a customer's discretionary spending when at a destination, unemployment levels may decrease the number of people who choose to travel, which in turn may affect the Company's revenue and profits and therefore its financial performance.

If market conditions continue to deteriorate, Flight Centre may need to take additional measures in order to respond and there is a risk of future impairment of the carrying value of the Company's assets.

# Key risks (cont.)

## 1.3 Geopolitical and economic conditions

Flight Centre has company-owned leisure and / or corporate travel businesses in more than 25 countries. In addition, the FCM licensee network extends to more than 90 countries. Global geopolitical conditions that impact the global economy have led to, and may continue to result in, extended periods of increased geopolitical and economic uncertainty and volatility in the global financial markets including in the markets in which the Company operates ("**Relevant Jurisdictions**"), which could adversely affect the Company's performance. Examples of events that have affected (and may continue to affect) global geopolitical conditions include the ongoing conflict in Ukraine, the tensions between China and Taiwan, the UK ceasing to be a member of the European Union and the European Economic Area on 31 January 2020 (commonly referred to as "**Brexit**"), and global trade developments relating to, among other things, the imposition or threatened imposition of trade tariffs and levies by major countries, including the United States, China and other countries that are significant trading partners of the Relevant Jurisdictions.

Inflationary pressures are at high levels in many economies, including many of the Relevant Jurisdictions. Geopolitical tensions, rising interest rates, central bank tightening and persistent COVID-19 and other challenges to the global economy, such as global shipping capacity constraints, higher costs for freight, supply chain issues, higher energy prices, higher food prices and tightened labour markets, are all contributing to rising inflationary pressures on the global economy. This may have impacts on financial market or economic stability, consumer and business spending and travel volumes and could adversely affect Flight Centre's financial position.

Trade and broader geopolitical relationships between the United States and some of its trading partners, such as China, remain volatile. The implementation of trading policies or divergent regulatory frameworks by certain countries may adversely impact the demand for the Relevant Jurisdictions' exports and may lead to declines in global economic growth. In particular, China is one of Australia and the United States' major trading partners and a significant driver of commodity demand and prices in many of the markets in which Flight Centre and its customers operate. Any heightening of geopolitical tensions and the occurrence of events that adversely affect China's economic growth and other Relevant Jurisdictions' economic relationship with China, including the implementation of additional tariffs and other protectionist trade policies, could adversely affect the Relevant Jurisdictions' economic activity and, as a result, could adversely affect Flight Centre's financial position.

Instability in global political conditions, including as a result of the conflict in Ukraine, has contributed to economic uncertainty and declines in market liquidity and could increase volatility in the global financial markets and negatively impact consumer and business activity within the markets in which Flight Centre or its customers or counterparties operate, or result in the introduction of new and/or divergent regulatory frameworks that Flight Centre will be required to adhere to.

Should economic conditions in global markets deteriorate, asset values in the housing, commercial or rural property markets could decline, unemployment could rise and corporate and personal incomes could suffer. The combination of these factors may affect discretionary spending on travel and leisure and the operating and financial performance of the Group.

# Key risks (cont.)

## 1.4 Safety

The travel industry is sensitive to safety concerns. The Group's business could be adversely affected by the occurrence of travel-related accidents, such as aeroplane crashes or near misses (whether caused by human or technical defaults or otherwise), incidents of actual or threatened terrorism, global security issues, political and social instability (such as anti-government protests), war, hostilities, trade wars, embargoes and other economic sanctions or conflict or other events whereby travellers become concerned about safety issues, including hygiene concerns, or as a result of unusual weather patterns or natural disasters, potential outbreaks of epidemics or pandemics or other human or natural disasters. Such concerns, or concerns arising from similar events in the future, are outside the control of the Group and could result in a significant decrease in demand for the Group's travel products. Any such decrease in demand, depending on its scope and duration, together with any other issues affecting travel safety, could materially and adversely affect business and financial performance and results of operations of the Group over the short and long term.

The overall impact on the travel and tourism industry of these factors and other similar factors can also be influenced by travellers' perceptions of, and reactions to, the scope, severity and timing of such factors. Certain parts of the Group's business have a particular focus on specific geographic markets. In addition, the uncertainty of macroeconomic factors and their impact on consumer behaviour, which may differ across regions, makes it more difficult to forecast industry and consumer trends and the timing and degree of their impact on the Group's markets and business, which in turn could adversely affect its ability to effectively manage its business, results of operations and financial condition.

Moreover, due to the seasonal nature of the Group's business, the occurrence of any of the events described above during the Group's peak summer or holiday travel seasons, or peak corporate travel periods, could exacerbate or disproportionately magnify the adverse effects of any such event and, as a result, could materially and adversely affect the business or financial performance of the Group.

## 1.5 Supplier risk

The Company's business activities and financial performance are reliant on suitable contractual arrangements being negotiated with major airlines, global distribution system providers, and other suppliers of goods and services. The Company's supply chain consists of a complex series of travel providers and intermediaries, including a clearing system operated by the International Air Transport Association ("IATA"). Whilst the Company has good relationships with its suppliers, there are a variety of credit risks inherent in this supply chain which are particularly heightened in the current economic environment (including general delays in the Company receiving payments from its suppliers). A dispute, or a breakdown in the relationship, between the Company and its suppliers, a failure to reach a suitable arrangement with a particular supplier, or the failure of a supplier to pay or otherwise satisfy its contractual obligations (including as a result of insolvency, financial stress or the impacts of COVID-19), could have an adverse effect on the reputation and/or the financial performance of the Company. See also paragraph 1.1. The recent Australian and Global macroeconomic events described in paragraph 1.1 and 1.2 may also have an adverse impact on the financial position of the Group's suppliers, which may impact their ability to carry on business with the Company.

To the extent suppliers, partners or counterparties (such as international airlines, whose operations have been completely or substantially suspended) are facing financial stress, they may seek to change the terms upon which they engage with, cease or significantly reduce engagement with the Company (including through the reduced supply of inventory and/or material changes to the commercial terms (rebate/commission/incentive) available to FLT in connection with its sale of that inventory), or in extreme cases, may not pay their debts as and when they fall due. Such circumstances may impact upon the operations and financial performance of FLT.

Further, any change in commission, rebates or other incentive rates payable could significantly impact the financial performance of the Group. The quantum, compositions and proportion of commissions and incentives from airlines, hotel providers and other suppliers may change over time (for reasons outside of the control of FLT), impacting the Group's business model and profitability, if it is unable to adapt. The Group also relies on third party business relationships to support its business operations. The failure of these third parties to provide acceptable and sufficiently high-quality products, services and technologies or to update their products, services and technologies could result in a disruption to the Group's business operations and its customers, which may reduce the Group's revenues and profits, cause the Group to lose customers and damage its reputation.

# Key risks (cont.)

## 1.6 Customer risk

The developments in international and domestic travel restrictions since 2020 as a result of COVID-19 resulted in a significant disruption to customer bookings and travel plans. As a result of the unprecedented travel restrictions, the Company experienced a significant increase in the number of customer requests for travel cancellations and refunds, which had a very significant impact on the Group's business and operations and, in particular, the demand for its services, which led to reduced visibility on future earnings and cash flow, and led to a material decline in revenues in FY20, FY21 and FY22. If international or domestic travel restrictions were to be put in place again, the Group may experience similar significant impacts in the short to medium term.

The Group has processed over A\$1 billion in refunds since the start of the COVID-19 pandemic. The high volume of cancellation and refund requests during the COVID-19 crisis has placed significant strain on the Group's resources and its refunds policies and procedures in general in responding to and processing customer requests for refunds and the return of customer monies, which has had, and may continue to have, an adverse impact on Flight Centre's operational and financial performance. Customers have sought or may also seek a chargeback (or reversal) for certain types of card purchases. Any such actions have placed and may continue to place significant strain on the Group's resources which have had and may continue to have an adverse impact on Flight Centre's operational and financial performance. See also paragraph 1.8 regarding the risks associated with the Company's working capital requirements.

Uncertainty in relation to the future of the travel industry may also have a detrimental effect on the confidence of customers in the ability of the Group to recover from this disruption to the industry and continue to operate in the future. The Group's cancellation and refunds policies and procedures and/or the imposition of cancellation fees or charges by the Group during the COVID-19 crisis may also expose the Group to regulatory scrutiny or other action, media attention, consumer actions and/or cause reputational damage to the Group.

See also paragraph 1.14 regarding regulatory risk, paragraph 1.15 regarding litigation risk, and paragraph 1.24 regarding diminution of customer satisfaction and loyalty.

## 1.7 Competitive risk

The Group's businesses operate in the travel industry, which is highly competitive. The Group's competitors comprise established and emerging online and traditional sellers of travel-related services. If the Group does not continue to offer attractive deals to its customers, customers may choose to deal with the Group's competitors and this may in turn result in a material adverse effect on the Group's business performance and results of its operations. If the actions of competitors or potential competitors become more effective, or if new competitors enter the market and the Group is unable to appropriately respond or to counter these actions through improved market offerings and fit for purpose operations, the financial performance or operating margins of the Group could be adversely affected.

The Group operates in an increasingly online environment and always faces significant competition from existing and/or new competitors and business models. The Group's success depends on the Group's continued innovation and the ability to provide features that are user-friendly for corporate and leisure travellers, suppliers and travel service providers. The Group's competitors are constantly developing innovations in online travel-related products and features. If the Group fails to continuously innovate and provide tools that are useful to travellers, suppliers and travel sector operators in order to remain competitive, its revenues and operating results could suffer.

## 1.8 Working capital requirements

The Company's business model includes payment terms relating to the pre-payment by customers for travel and tourism related services, the maintenance of large corporate credit balances and related payment terms between the Company and its suppliers. To the extent these terms of payment and supply change, customers seek refunds, customers seek chargebacks/reversals, receivables are uncollectable fully or partly, contract assets on balance sheet are unrecoverable or counterparties do not act consistently with supply terms, Flight Centre may need to obtain additional working capital financing. In addition, transactional banking facilities, including credit card processing facilities, operated by the Company may be withdrawn by the banks or other providers, or the terms and conditions of those facilities may be materially amended, which may have an adverse impact on Flight Centre's operational and financial performance. The Company's working capital position may be further impacted to the extent the current economic environment increases the risk of counterparties not complying with their obligations. To the extent Flight Centre does not have sufficient liquidity to manage its working capital cycle, Flight Centre will not be able to continue operating its business in the ordinary course.



# Key risks (cont.)

## 1.9 Cost discipline

As it has since March 2020, the Group continues to maintain appropriate cost discipline measures to mitigate the financial impact of the COVID-19 pandemic and broader changes that have occurred across the travel industry. If the Group is unable to maintain an appropriate level of cost discipline in this context, its business, financial condition, results of operations and cash flows may be adversely impacted.

## 1.10 Financing risk

The Company has in place, and the Group has access to, certain credit facilities and borrowings that contain financial covenants which require certain specific ratios to be met on annual and semi-annual accounting period-end dates, in addition to certain non-financial covenants and undertakings that require continued compliance.

FLT has complied with the shareholder funds test at 31 December 2022 and is not required to comply with its existing operating leverage ratio and fixed charges ratio covenants (contained within its current secured syndicated facility) until 30 June 2023. This means that these financial covenants, which were last tested at December 2019 (under FLT's then existing bilateral financing agreements), will not be required to be tested until June 2023 (on an initial six month look back basis at June 2023 only and thereafter on a twelve month look back basis). Until that time, the Company will be required to maintain a cash to borrowings ratio of greater than or equal to 1:1 (where cash includes client cash but excludes cash held by certain subsidiaries who are not Guarantors and borrowings excludes convertible notes on issue).

Any breach by the Group of covenants or undertakings given in relation to such financing facilities may give rise to rights exercisable by its secured financiers. Such rights include, inter alia, terminating the relevant facilities or accelerating the repayment of the outstanding loan amounts. The continued compliance with these covenants and undertakings depends on a number of factors, some of which are outside the Group's control.

The support of the secured financiers in waiving future compliance with covenants and/or undertakings, if required, cannot be guaranteed if there are breaches of their terms and conditions, or other circumstances which cause them to reconsider the Group's solvency, creditworthiness or prospects generally. If a waiver is granted, there is no assurance that such waiver would not be revoked or that the Group would be able to comply with its financial covenants and/or undertakings after the applicable waiver period. There is also no assurance that the Group will not breach any of its financial or other covenants and undertakings in the future, nor that it will be able to secure waivers in respect of any future breaches.

In the event that the Group breaches any financial covenant and/or undertaking in the future and its financiers do not waive such breaches, its financiers may have the right to accelerate the principal and interest payments relating to the facilities in breach, which could in turn trigger cross default and/or cross acceleration provisions in other financing arrangements under which the Group is a borrower.

The Group's existing secured syndicated facility matures in February 2024, before which time the Group intends to seek to refinance with its existing senior lenders. There is a risk that the existing senior lenders may not agree to the refinancing and will require repayment of the facility. If this were to occur, the Group would be required to obtain alternate re-financing arrangements, which may or may not be immediately available at the relevant time.

The Group has two convertible bonds on issue (A\$400 million maturing in November 2027 and A\$400 million maturing in November 2028). These bonds have a conversion price of A\$20.04 and A\$27.30 respectively. At maturity, bond holders may elect to either convert their investment into ordinary shares in FLT (which will dilute existing shareholders) or require FLT to repay the face value of the bonds in cash (**Maturity Repayment**). Both convertible bonds also have a put date, the first of which is in November 2024 (for the November 2027 bond) and the second of which is in May 2026 (for the November 2028 bond) allowing bond holders to command an early repayment of the face value of the bonds (**Put Repayment**). If either the Maturity Repayment or the Put Repayment occur and FLT either (i) does not hold sufficient available funds at the required time to make the relevant repayments and/or (ii) requires the funds that are the subject of the repayment for working capital purposes, FLT will need to pursue refinancing opportunities in the market. There is a risk that FLT will not be able to obtain suitable refinancing arrangements at the relevant time or any refinancing arrangements at all which may have an adverse impact on its working capital, financial position and performance (see also paragraph 1.19 regarding financial risk).

# Key risks (cont.)

## 1.11 Human resources risk

The Company is dependent upon the experience of its Directors, key senior management and staff generally. The loss of any key personnel (i.e. by death, total or permanent disablement or resignation), as well as high staff turnover could cause disruption to the conduct of the Company's business in the short term and negatively affect the Company's operating and financial performance.

The workforce rationalisation previously undertaken as part of the Group's cost reduction package in FY20 to operate through a prolonged period of disruption to the travel industry may adversely impact the Group's ability to retain high quality staff, operate its business in the ordinary course, effectively manage operational risks and/or take advantage of the ongoing, gradual recovery in the sector. The Group's operations, performance and reputation could be adversely affected if the Group is unable to attract staff or were to lose key staff members which it was unable to replace with equally qualified personnel.

In addition, while the actions taken by the Group in respect of the COVID-19 pandemic (including from an employment, superannuation and occupational health and safety perspective) are believed by the Directors to have been appropriate and consistent with those taken across the industry, the area of labour relations is often the subject of dispute and legal and industrial relations challenge. Any litigation, class actions, claims or disputes, including the costs of settling claims and operational impacts, could materially adversely affect the Group's business, operating and financial performance.

Ongoing controversy in Australia and abroad on the subject of award and minimum conditions payments (including wages and overtime) and the classification of persons as independent contractors or employees also raises risks for the Group as with a large number of employees and independent contractors in Australia and overseas. While the Group has processes in place to ensure compliance with applicable labour laws, the overlap of laws, regulations, workplace agreements, awards and industrial relations rules can give rise to risks of breaches occurring in the countries in which the Group operates.

## 1.12 Growth strategy execution and business model disruption

The Company may not be able to execute effectively the strategies for its current and future acquired businesses (including in respect of the Scott Dunn Acquisition – see also paragraph 3 for risks relating to the proposed Scott Dunn Acquisition). Future growth strategies which target expansion of existing business could expose Flight Centre to additional or unforeseen costs, which may strain financial or management resources. There is also a risk of disruption to the Company's business models and/or those of its suppliers due to factors that are outside the control of Flight Centre. Such disruption could adversely impact the Company's reputation and financial performance. The disruption to the Australian and global economy, and specifically the travel and tourism sectors, is likely to impact upon the Company's ability to drive its growth agenda in the short and medium term.

## 1.13 Acquisition and investment risk

From time to time, the Company evaluates acquisition and divestment opportunities. Any past or future acquisitions or disposals would cause a change in the sources of the Company's earnings and result in variability of earnings over time. Integration of new businesses may be costly and occupy management's time. The financial performance of investments and the economic conditions they operate within may result in investment impairment should the recoverable amount of the investment fall below its carrying value. See also paragraph 3 for risks relating to the proposed Scott Dunn Acquisition.

# Key risks (cont.)

## 1.14 Regulatory risk

Regulatory action against the Group under legislation and government policy may adversely affect the Group. For example, as a retailer of travel and travel-related products, the Group engages in extensive promotional and other advertising activities, conducts a foreign currency exchange business and processes its employees' and customers' personal information/data. Further, the Group's various cancellations and refunds policies and procedures and/or the imposition of cancellation fees or charges during the COVID-19 crisis may also expose it to regulatory scrutiny or action. Any media attention, regulatory scrutiny or other action taken against the Group members in any of the countries in which it operates may have adverse effects on the reputation of the Group or on its operating and financial performance. Similarly, a variation in law or regulation requiring the Company or any of its other businesses to hold or treat customer deposits differently to the way in which these are currently managed may have financial implications for the Group.

A variation in legislation and government policy may also affect the Group and the business environment in which it operates. Legislative changes could directly and indirectly alter consumer demand for and consumer attitudes towards international or domestic travel. In particular, anti-money laundering, anti-bribery and corruption, counter-terrorism financing, and sanctions compliance have been the subject of significant regulatory change and enforcement in recent years.

The Group's business activities and operations are located in jurisdictions in both the developed and developing world with varying degrees of political and judicial stability, including some countries with a relatively high inherent risk with regard to money laundering, bribery, corruption and terrorism-financing. This, for example, exposes the Group to the risk of unauthorised payments or offers of payments to or by employees, agents or distributors that could be in violation of applicable anti-corruption laws. These risks arise both (i) in connection with the limited circumstances where Flight Centre's existing internal controls and compliance framework do not detect a relevant payment or booking and/or (ii) because they are inherited from businesses or entities acquired as part of past acquisitions which may not have been detected as part of the due diligence process at the time. Risks also include possible delays or disruptions resulting from a refusal to, or disruptions resulting from a refusal to make so-called facilitation payments or any other form of benefit inconsistent with the Group's policy or applicable laws.

A failure to operate effective and fully compliant programs to combat money laundering, bribery, corruption and terrorist financing or to ensure compliance with economic sanctions or where breaches (whether involving the Group's related bodies corporate or employees) are only detected following an acquisition of a business or entity or a generic failure of Flight Centre's existing general controls and/or compliance framework, could have serious legal and reputational consequences for the Group and its employees. Consequences can include fines, criminal and civil penalties, civil claims, reputational harm, consumer class actions and limitations on doing business in certain jurisdictions, which in turn could have an adverse impact on Flight Centre's financial position and performance.

# Key risks (cont.)

## 1.15 Risk of litigation, regulatory investigations, claims and disputes

The Group may be subject to litigation, class actions (including consumer / customer class actions, securities / shareholder class actions, and employee class actions), prosecutions, regulatory investigations and other proceedings, claims and disputes in the course of its business in each of the jurisdictions in which it operates from time to time, including employment disputes, contractual disputes, indemnity claims, consumer actions, claims for infringement by the Group of others' intellectual property rights, occupational and personal claims, civil fraud claims, regulatory enquires and enforcement related actions (see also paragraphs 1.6 regarding customer risk, 1.11 regarding human resources risk and 1.14 regarding regulatory risks) and claims in relation to creative content. The Group's business activities and operations are located in various countries around the world. There are risks that a business operated by the Group or its employees might engage in conduct that is inconsistent with the Group's Code of Conduct, consumer, trade or other regulations that apply in its various jurisdictions, or agreements with its suppliers or customers. Any litigation, class actions, prosecutions, regulatory investigations, claims or disputes (including the cost of settling claims and operational impacts and any other compensation or damages that may be required to be paid) and/or conduct on the Group's part enabling a counterparty (supplier or customer) to terminate or vary an existing contractual arrangement (including in relation to rights or authorisations held by Flight Centre (or a group member) to access and sell certain supplier content) could materially adversely affect the Group's business, operating and financial performance.

Flight Centre operates businesses in foreign jurisdictions that are subject to foreign laws and regulations. Some of the Group's business structures in certain foreign jurisdictions may need to be restructured to address certain regulatory requirements. The Group is taking steps to progress the required changes. Until the relevant issues are remediated, there is a risk (on a worst case scenario) that the business structures could be declared invalid and unenforceable, that fines may be levied and criminal sanctions may be imposed on the Group and/or other persons involved. This may have an adverse impact on the Group's financial performance and its reputation.

## 1.16 Climate change

The Group and its customers, suppliers and service providers may be adversely affected by climate change, which may lead to rising sea temperatures and sea levels, extreme weather conditions and changes in the frequency and severity of catastrophic events such as floods, fires, storms and droughts. Physical risks resulting from climate change can be event driven or a result of longer term shifts in climate patterns and may have financial implications for the Group, such as indirect impacts from supply chain disruption, impacts on sectors that leisure and corporate customers operate in (e.g. agriculture) and the travel patterns and habits of customers.

Although the Company is not itself a major carbon emitter, it is a significant player in the global corporate and leisure travel sectors, which means it is a key business partner for airlines and other businesses that generate more significant Scope 1 emissions. There is uncertainty about how the Group's customers will respond to the effects of climate change (and therefore on possible changes in customer demand) and whether this may have an adverse impact on the Group's financial performance, results of operations and prospects.

In addition, transitioning to a lower-carbon economy may entail extensive policy, legal, technology and market changes to address mitigation and adaption requirements related to climate change. For example, by going green where possible, using better waste management practices, lowering energy consumption and decreasing paper usage. This could adversely affect the Group's financial performance by increasing operating costs and/or impacting demand in, and the profitability of, certain customer segments.

# Key risks (cont.)

## 1.17 Business systems and cyber security risk

The Company relies on the performance, reliability and availability of its information technology, communication and other business systems. Any damage to, or failure of, the Company's key systems may result in disruptions to the Company's business (especially its online services). Any failures of, or malicious attacks on, the Company's business systems or any compromise to the security of data (including any personal information / data) held by the Company may similarly impact both the Company's business and its reputation.

The Group is conscious that cyber threats, such as advanced persistent threats, distributed denial of service, malware and ransomware, are continuously evolving, becoming more sophisticated and increasing in volume. The COVID-19 pandemic has increased the number of staff working offsite for an extended period, which may increase information security risks to the Group. Cyber criminals may attempt to take advantage through pursuing exploits in end point security, spreading malware, and increasing phishing attempts. Furthermore, these risks may be further exacerbated by geopolitical risks and a significant number of high-profile cyber security incidents involving other persons or entities receiving a significant amount of media coverage, and political commentary.

Additionally, failures in the Group's cybersecurity policies, procedures, controls or incidents of human error could result in loss of the confidentiality, integrity and/or availability of data or other sensitive information (including as a result of an outage). It may also result in governmental enforcement actions against the Group including, for example, fines and/or penalties for non-compliance with applicable laws (which amounts may be significant), compliance orders, enforceable undertakings, litigation or public statements that could harm the Group's reputation and cause the Group's customers and suppliers to lose trust in the Group (which may lead to a termination of their contractual relationships with the Group), any of which could have a material adverse impact on the Group's business, brand, market share and results of operations.

## 1.18 Privacy risk

To facilitate its business, the Group's systems necessarily contain large amounts of personal data on employees, customers, clients, and suppliers. This data processing brings the Group's operations within scope of the national privacy laws for each country the Group operates in. The Group is required to manage the significant compliance burden borne out of operating in multiple countries with different, and at times conflicting, privacy regimes, each with their own operational requirements. This international privacy landscape is not stable as national privacy laws are constantly changing, which itself increases the regulatory compliance costs and risks to the Group.

To protect this personal data, the Group uses security technologies and operational processes to maintain the confidentiality, integrity and availability of data processed while limiting access to such data. However, these measures cannot guarantee absolute security given conditions including the constantly developing and pervasive nature of the cyber threat landscape, unknown security vulnerabilities and unavoidable human error. Data breaches, including improper access to, or disclosure of, this data exposes the Group, its employees, its customers and its suppliers to a risk of data loss and/or misuse and could result in breaches of privacy laws. This in turn could have a material adverse effect on customer loyalty and confidence, relationships with key suppliers and customers, employee retention rates and demand for the Group's products and services, as well as result in governmental enforcement actions against the Group including, for example, fines and/or penalties for non-compliance with applicable laws (which amounts may be significant), compliance orders, enforceable undertakings, litigation or negative public statements, any of which could materially and adversely impact the Group's reputation, market share and financial and operating performance.

# Key risks (cont.)

## 1.19 Financial risk

Access to capital is a fundamental requirement to achieve the Company's business objectives and to meet its financial obligations when they fall due. The inability to maintain a strong balance sheet or to secure new capital or credit facilities (from time to time) on favourable terms could impact upon the Company's operational and financial performance and the ability to meet its ongoing liquidity (including debt refinancing) needs.

Flight Centre is exposed to adverse developments in the credit markets which may impact the appetite for lenders to provide capital to Flight Centre. There is no guarantee that equity or debt funding will be available to Flight Centre on favourable terms or at all or that, when an existing facility expires or is otherwise terminated (e.g. due to an event of default), Flight Centre will be able to refinance that debt facility on reasonable terms.

As a borrower of capital, the Company is exposed to fluctuations in interest rates which may increase the cost of servicing the Company's debt. Developments in global financial markets may adversely affect the liquidity of global credit markets and the Company's access to those markets. This may have a material adverse effect on the Company's future financial performance and financial position.

The Company also has a large cash position on which it earns interest income at a floating interest rate. Fluctuations in interest rates may decrease the interest income earned on such cash balances and therefore have an adverse effect on the Company's future financial performance and financial position.

## 1.20 Taxation risks

A change to the current taxation regime in Australia or overseas, including changes in interpretation or application of the law by courts or taxation authorities, may affect Flight Centre or its shareholders. Tax liabilities are the responsibility of each individual shareholder.

From time to time, a government agency may allege, and it may be found, that Flight Centre has not correctly calculated or paid the applicable taxes and payments owed, which may result in it having to make additional payments in relation to these taxes (including interest and penalties). Further, Flight Centre may from time to time seek rulings or other guidance or agreement in respect of any taxes payable, which government agencies may or may not agree to.

Any of these taxation matters may have an adverse impact on Flight Centre's financial position and performance.

## 1.21 Currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from currency exposures on future cash flows. The Company actively measures these exposures and has measures in place to manage some of that exposure. However, notwithstanding those measures, the movement of foreign exchange rates could still have an adverse effect on the Company's operating and financial performance. See also paragraph 1.2 regarding the risks in relation to the current economic environment.

The Company consolidates results of overseas businesses into Group results and the performance of overseas businesses in Australian dollars when reported in Group financial statements may vary due to the movement of foreign exchange rates. This could have an adverse effect on the Company's financial performance.

Furthermore, due to the nature of the Company as an international tourism business, changes to foreign exchange rates impact upon the underlying demand for travel and tourism services. The movement of foreign exchange rates are beyond the Company's control and could have an adverse effect on the Company's operating and financial performance.

## 1.22 Investment risks

The Company invests funds it receives in the course of conducting its business. The value of those investments or the return on them may rise or fall as a result of circumstances beyond the Company's control, including general economic conditions in Australia or overseas. Risks associated with returns on investments are particularly acute during periods of elevated global financial market volatility, such as those experienced post the outbreak of the global COVID-19 pandemic, post the start of the Ukraine crisis and given the current geopolitical conditions. The Company only invests funds with selected counterparties, under a Board-approved Treasury Policy, but the risk of counterparty default is heightened during periods of global financial market volatility, which could lead to the loss of funds invested.

# Key risks (cont.)

## 1.23 Insurance

Flight Centre maintains insurance cover that is consistent with standard industry practice, including workers compensation, business interruption, property damage, public liability and product liability, cyber, directors and officers and professional indemnity insurance. However, no assurance can be given that such insurance will be available in the future on commercially reasonable terms or that any cover will be adequate and available to cover all or any future claims.

## 1.24 Diminution of customer satisfaction and loyalty

The Company's business model is significantly dependant upon customer satisfaction and loyalty. The operational and financial challenges associated with COVID-19, the associated impact on the travel and tourism industry and Flight Centre's response to those challenges, could impact upon customer satisfaction and loyalty, the reputation of the Group and its ability to attract customers in future. A loss of customer satisfaction or loyalty may also materialise as a result of changing community expectations, activism in relation to particular travel destinations or activities which are booked through the Group, and in the event that the Group's employees fail to comply with approved customer service and pricing policies or relevant laws and regulations in relation to the pricing, terms and conditions offered to customers (see also paragraph 1.25). Any diminution in customer satisfaction and customer loyalty or the Group's reputation may have an adverse impact on the operating and financial performance and position of Flight Centre.

See also paragraph 1.6 and 1.14 in relation to the risks associated with an increase in customer refunds.

## 1.25 Change in consumer preferences

Flight Centre is exposed to changes within the specific travel markets in which Flight Centre operates, whether as a result of changes in or to key markets, changes in product availability, as well as changes in consumer travel trends and sentiment towards travel in general. Consequently, a failure by the Company to predict or respond to any such changes could adversely impact the Company's future operating and financial performance.

## 1.26 Timing of financial information

The financial information set out in this Presentation includes pro forma financial information that has been prepared shortly after the end of the Group's financial half-year. The auditor's half-year review of the results has not yet been completed. No assurance can be given that the Group's financial results will align with the financial information in this Presentation in respect of the relevant period.

## 1.27 Accounting standards may change

Accounting standards may change. This may affect the reported earnings of Flight Centre and its financial position from time to time. The Company has previously and will continue to assess and disclose, when known, the impact of adopting new accounting standards in its periodic financial reporting.

## 1.28 Payment of future dividends

Dividends are discretionary and do not accrue. Under Australian law, the Company's Directors may only declare or determine a dividend if there are funds legally available to pay dividends. The amount of future dividends actually paid will be determined by the Board of Flight Centre having regard to, amongst other things, the Group's anticipated cash requirements to fund its growth and operational plans, current and future economic conditions, available franking credits and the covenant restrictions and / or consent requirements under its third party finance facilities.

The Directors determined not to pay a final dividend for 30 June 2022, given that the Company is in a recovery phase following the COVID-19 pandemic. There can be no guarantee that any dividend will be paid by the Company in the future or, if paid, that the dividends will be paid or franked consistent with previous levels. There is a risk that dividends (if any) may become less attractive compared to returns on comparable securities or investments. A change in dividend policy or dividend levels may impact the market value of Flight Centre's ordinary shares. In certain circumstances (i.e. before certain financial covenants are passed or if an event of default exists) Flight Centre also requires consent of its secured lenders in order to declare or pay a dividend.

# Key risks (cont.)

## 2 OFFER AND GENERAL RISKS

### 2.1 Investment in equity capital and COVID-19

There are general risks associated with investments in equity capital. The trading price of Flight Centre's ordinary shares on ASX may fluctuate with movements in equity capital markets in Australia and internationally. This may result in the market price for the New Shares being less or more than the Offer Price.

Generally applicable factors which may affect the market price of Flight Centre's ordinary shares include:

- the impact of COVID-19, including on health of workforce, the industry, customers, supply chains and travel restrictions;
- general movements in Australian and international stock markets, including market volatility;
- investor sentiment and the risk of contagion;
- Australian and international economic conditions and outlook, including changes in interest rates, the rate of inflation, exchange rates, commodity prices, employment levels and consumer demand;
- changes in Australian and foreign government regulation and fiscal, monetary and regulatory policies;
- loss of key personnel and delays in replacement;
- announcement of new technologies;
- geopolitical instability, including international hostilities, acts of terrorism, the response to COVID-19 and travel restrictions;
- natural disasters, extreme weather events and catastrophes, whether in global, regional or local scale;
- epidemics and pandemics such as COVID-19;
- operating results of the Group that may vary from expectations of securities analysts and investors;
- changes in market valuations of other travel companies; and
- future issues of Flight Centre equity securities.

The share prices for many listed companies have in recent times been subject to wide fluctuations and volatility, which in many cases may reflect a diverse range of non-company specific influences referred to above, including the general state of the economy, the response to COVID-19, investor uncertainty, geopolitical instability, and global hostilities and tensions.

It is also possible that new risks may emerge as a result of domestic or foreign markets experiencing extreme stress, or existing risks (including the impacts of COVID-19 or geopolitical instability) may evolve in ways that are not currently foreseeable. The equity capital markets have in the past and may in the future be subject to significant volatility.

No assurances can be given that the New Shares will trade at or above the Offer Price. None of Flight Centre, its Board, the Underwriters, or any other person guarantees the market performance of the New Shares.

There can also be no assurance that investors will receive dividends in the future (see paragraph 1.28 for further details).



# Key risks (cont.)

## 2.2 Underwriting risk

Macquarie Capital (Australia) Limited (ABN 79 123 199 548) (“**MCAL**”) and UBS Securities Australia Limited (ABN 62 008 586 481) (“**UBS**”, together with **MCAL**, the “**Underwriters**”) will be acting as underwriters, joint lead managers and bookrunners to the Offer. Flight Centre entered into an underwriting agreement with the Underwriters in respect of the Offer on 31 January 2023 (“**Underwriting Agreement**”).

### *Key terms of Underwriting Agreement*

Each Underwriter’s obligations under the Underwriting Agreement, including to underwrite and manage the Offer, are conditional on certain matters, including (but not limited to) the agreement for the acquisition of Scott Dunn (**Acquisition Agreement**) being entered into and remaining in place, certain regulatory approvals not having been withdrawn or modified, certain Offer-related disclosure materials being released within the required timeframes and certain other diligence-related deliverables being provided within the required timeframes.

If certain conditions are not satisfied or certain events occur, the Underwriters may terminate the Underwriting Agreement. Termination of the Underwriting Agreement by both Underwriters would have a material adverse impact on the total amount of proceeds that could be raised under the Offer. The events which may trigger termination of the Underwriting Agreement include (but are not limited to) the following:

- in the reasonable opinion of an Underwriter, certain Offer materials contain (whether by omission or otherwise) any statement which is false, misleading or deceptive in a material respect or they otherwise do not comply with the Corporations Act or any other applicable law in a material respect;
- certain regulatory actions occur against or involving Flight Centre, its directors or officers in relation to the Offer or certain Offer materials;
- Flight Centre is prevented from allotting and issuing the new shares under the Placement in accordance with the Underwriting Agreement;
- ASX makes any official statement to any person, or indicates to Flight Centre or an Underwriter that it will not grant permission for the official quotation of the new shares being issued under the Placement, or the approval for the official quotation is subsequently withdrawn, qualified (other than by customary conditions) or withheld by ASX;
- Flight Centre ceases to be admitted to the official list of ASX or Flight Centre’s shares are suspended from trading on, or cease to be quoted on, ASX (excluding a trading halt contemplated by the Underwriting Agreement in order to conduct the Offer);
- there are certain delays in the timetable for the Offer;
- any member of the Flight Centre group becomes insolvent or there is an act or omission which is likely to result in a Group member becoming insolvent;
- Flight Centre withdraws the Offer;
- Flight Centre fails to deliver a certificate when required to under the Underwriting Agreement, or a statement in any such certificate is false, misleading, inaccurate, untrue or incorrect;
- civil or criminal proceedings are brought against Flight Centre or its directors or officers in relation to any fraudulent, misleading or deceptive conduct by or on behalf of Flight Centre (whether or not in connection with the Offer);
- there is an event or occurrence which makes it illegal, or commercially impossible for the Underwriters to satisfy a material obligation under the Underwriting Agreement, or to market, promote or settle the Offer (including, without limitation, any acts, statute, order, rule, regulation, directive or request of any government or government agency, orders of any courts, lockdowns, lock-outs, forced closures, restrictions on mobility, or interruptions or restrictions in transportation which has this impact);
- the Acquisition Agreement is terminated, rescinded, void, illegal, invalid or unenforceable, any condition precedent to performance of the parties’ obligations under the Acquisition Agreement (other than a condition precedent which in the opinion of the Underwriters acting reasonably is able to be waived by the Flight Centre or the sellers without a material adverse effect on the acquisition of Scott Dunn) is not satisfied by its due date (or becomes incapable of satisfaction by its due date and is not waived), or an event occurs that entitles a party to terminate the Acquisition Agreement; or the Acquisition Agreement is varied in any material respect without the prior written consent of the Underwriters;
- in the reasonable opinion of an Underwriter, any material statement or estimate in certain Offer materials which relates to a future matter is or becomes incapable of being met;
- a representation or warranty made or given by Flight Centre under the Underwriting Agreement proves to be, has been or becomes, untrue or incorrect;
- Flight Centre fails to comply with its obligations under the Underwriting Agreement;
- there is an adverse change in the assets or liabilities, financial position or performance, profits or losses or prospects of Flight Centre, the Flight Centre group, or Scott Dunn, including any adverse change in the assets or liabilities, financial position or performance, profits or losses or prospects of Flight Centre, the Flight Centre group, or Scott Dunn from those disclosed to ASX in accordance with the ASX Listing Rules prior to the date of the Underwriting Agreement or in the ASX materials;
- a director of Flight Centre:
  - is charged with an indictable offence or any regulatory body commences any public action against the director or announces that it intends to take any such action; or
  - is disqualified from managing a corporation under certain provisions of the Corporations Act;

# Key risks (cont.)

- a change in the directors or key management personnel of Flight Centre is announced or occurs, except as disclosed to ASX prior to the date of the Underwriting Agreement;
- in relation to the debt facilities:
  - Flight Centre breaches, or defaults under, any provision, undertaking, covenant or ratio of any material financing arrangement which has an adverse effect on Flight Centre;
  - an event of default, potential event of default or review event which gives a lender or financier the right to accelerate or require repayment of the debt or financing or other similar event occurs under or in respect of any material financing arrangement;
- there is introduced into the Parliament of the Commonwealth of Australia or any State or Territory of Australia or the United States, a law or any new regulation is made under any law of the Commonwealth of Australia or any State or Territory of Australia or the United States, or a government agency in Australia or the United States adopts a policy, or there is an official announcement on behalf of the Government of the Commonwealth of Australia or any State or Territory of Australia or the United States or a government agency of Australia or the United States that such a law or regulation will be introduced or policy adopted (as the case may be), other than any law, regulation or policy which has been publicly announced by the Government of the Commonwealth of Australia or any State or Territory of Australia or the United States or any government agency in Australia or the United States prior to entry into the Underwriting Agreement;
- in respect of any one or more of certain countries:
  - hostilities not existing at the date of Underwriting Agreement commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not);
  - a state of emergency is declared (other than as already declared prior to entry into the Underwriting Agreement); or
  - a significant terrorist attack is perpetrated; or
- any of the following occurs:
  - a general moratorium on commercial banking activities in certain countries is declared by the relevant central banking authority in those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries;
  - trading in all securities quoted or listed on ASX and certain foreign exchanges is suspended or limited in a material respect for 1 day (or a substantial part of 1 day) on which that exchange is open for trading; or
  - any adverse change or disruption to the existing financial markets or political or economic conditions in certain countries, or any adverse change, or development involving a prospective adverse change, in any of those conditions or markets.

The ability of an Underwriter to terminate the Underwriting Agreement in respect of some events will depend on whether, in the reasonable opinion of the Underwriter, the event:

- a) has had or is likely to have, a material adverse effect on the success of the Offer, the ability of the Underwriter to market or promote the Offer, the willingness of persons to apply for, or settle obligations to subscribe for, new shares under the Placement or the price or likely price at which the New Shares are likely to trade on ASX; or
- b) has given, or is likely to give, rise to a contravention by the Underwriter or its affiliates of, or the Underwriter or its affiliates being involved in a contravention of, any applicable law, or a liability for the Underwriter or its affiliates under the Corporations Act or any other applicable law.

For the purposes of the Underwriting Agreement, the effect of any matter, fact, event, circumstance, act, omission or otherwise (an Event) on any of the matters referred to in paragraph (a) will be determined by assessing or considering (without limitation) the likely effect of the Event on a decision of an investor to invest in the New Shares as if that decision to invest was made after the occurrence of that Event and not by considering only the number and extent of valid applications received before the occurrence of that Event.

For details of the fees payable to the Underwriters, see the Appendix 3B released to ASX on 31 January 2023.

The Company also gives certain representations, warranties and undertakings to the Underwriter and an indemnity to the Underwriter and its affiliates subject to certain carve-outs. As part of the undertakings, the Company has agreed to not for a prescribed period of time, without the prior written consent of the Underwriters, allot or agree to allot or indicate in any way that it may or will allot or agree to allot any shares of the Issuer or other securities that are convertible or exchangeable into shares of the Issuer, or that represent the right to receive shares of the Issuer, subject to certain exceptions (including in relation to the Placement and the SPP).

# Key risks (cont.)

## 2.3 Risks of dilution

Shareholders who do not participate in the Placement or the SPP will have their percentage security holding in Flight Centre diluted. Depending on the size of a shareholder's existing holding and the number of New Shares allocated to them, a participating shareholder may still be diluted even though they participate in the Placement or the SPP. Investors may also have their investment diluted by future capital raisings by Flight Centre. Flight Centre may issue new securities in the future to finance acquisitions or pay down debt which may, under certain circumstances, dilute the value of an investor's interest.

## 2.4 Liquidity risk

Shareholders who wish to sell their ordinary shares may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for the ordinary shares. There may be relatively few, or many, buyers or sellers of Flight Centre shares on ASX at any given time. This may increase the volatility of the market price of Flight Centre's ordinary shares. It may also affect the prevailing market price at which Flight Centre shareholders are able to sell their Flight Centre ordinary shares, or whether they are able to sell at all.

Flight Centre does not guarantee the market price or liquidity of ordinary shares and there is a risk that you may lose some of the money you invested.

# Key risks (cont.)

## 3 RISKS RELATING TO THE PROPOSED ACQUISITION OF SCOTT DUNN

In addition to the key business risks and the offer and general risks referred to above, there are additional risks that investors should consider given the Scott Dunn Acquisition which may have an adverse impact on the financial position and impact of the Group as follows:

### 3.1 Analysis of acquisition opportunity

Flight Centre has undertaken commercial, financial, operational, taxation, legal, business and other analysis in respect of Scott Dunn in order to determine its attractiveness to the Group and whether to pursue the Scott Dunn Acquisition. While Scott Dunn operates in markets where Flight Centre has existing operations, it operates in a segment of the leisure market and provides products and services in those markets which Flight Centre does not currently offer. Risks may exist in relation to Scott Dunn of which Flight Centre may be unaware, including latent, future or otherwise unknown claims or liabilities. The analysis undertaken by Flight Centre may draw conclusions and forecasts that are inaccurate or which are not realised in due course.

To the extent that the actual results achieved by the Scott Dunn Acquisition are weaker than those indicated by Flight Centre's analysis, there is a risk that there may be an adverse impact on the financial position and performance of Scott Dunn, and therefore on the return Flight Centre receives from its ownership of Scott Dunn.

### 3.2 Reliance on information provided

Flight Centre undertook a due diligence investigation process in respect of the Scott Dunn Acquisition and was provided with the opportunity to review detailed information provided by or on behalf of the vendors. Flight Centre has not been able to verify the accuracy, reliability or completeness of all the vendor provided information that was provided to it against independent data. There is no assurance that the due diligence undertaken was conclusive. If any of the information that was provided to Flight Centre by the vendors or otherwise is incomplete, inaccurate or misleading, then the benefits expected to be derived from the Scott Dunn Acquisition may not be delivered, or may not be delivered in the time period anticipated. The information reviewed by Flight Centre includes forward looking information. While Flight Centre has been able to review and assess some of the foundations for the forward-looking information relating to Scott Dunn, forward looking information can be unreliable and is based on assumptions that may prove to be incorrect or may change in the future, outside of the control of Flight Centre.

### 3.3 Limitations on contractual protection

In the documentation to be executed by Flight Centre in connection with its acquisition of Scott Dunn, limited contractual warranties have been obtained and the recourse to the vendors in the event of a contractual right to claim is also limited. Recourse against the vendors under the warranties given in respect of the title to the shares to be acquired from the vendors is capped at the share consideration and loan note redemption amounts received by the vendors as part of the transaction (i.e. the aggregate cash proceeds received by them). In respect of the general business warranties and tax covenant provided by certain of the vendors (being the "Warrantors"), liability against the Warrantors is capped at £1 in aggregate (subject to such cap being removed in circumstances of fraud of such individual) – this construct is commonplace in the UK M&A market. Flight Centre has sought protection under a buy-side warranty and indemnity insurance policy (the "W&I Policy"), which provides cover for a breach of the business warranties or the tax covenant up to £36 million in aggregate (with a policy excess of £600,000, which is tipping to nil, meaning that if a claim is made, in excess of the excess, the underwriter will cover loss claimed back to £1). The W&I Policy will not respond to anything that has been "Disclosed" as part of the transaction process, that Flight Centre is aware of on exchange, and is otherwise subject to certain market standard as well as deal specific exclusions.

Outside of the contractual warranty protection, Flight Centre also has the benefit of a leakage covenant, which provides recourse against the vendors on an indemnity basis for any "Leakage" incurred from the locked box date to completion (subject to such claim being brought within 6 months of completion of the Scott Dunn Acquisition).

# Key risks (cont.)

## 3.4 Completion conditions and completion risk

The Scott Dunn Acquisition is intended to expand FLT's presence in the luxury travel sector and gives the Company a footprint for further organic growth in a sector in which it has previously been under-represented. The acquisition is intended to deliver a model that FLT aims to replicate and grow as part of its luxury travel pillar.

There is a risk that the Scott Dunn Acquisition may not complete, or may not complete on the current terms or expected timing. If for any reason the Scott Dunn Acquisition does not proceed, there may be adverse consequences for the Company and its shareholders. This includes that the trading price of the Company may be affected, certain costs relating to the Scott Dunn Acquisition will still be incurred and the anticipated benefits of the Scott Dunn Acquisition will not be realised. This may adversely affect the Company's operational and financial performance and the market price of its shares. There may also be some adverse consequences to the Company's operational and financial performance and market price of its shares if the Scott Dunn Acquisition were to be delayed for a significant period of time.

If the Scott Dunn Acquisition does not proceed and funds have been raised via the Placement and/or SPP, Flight Centre intends to use the Placement and/or SPP proceeds to pursue further delivery of outcomes in line with its strategic plans, and may ultimately decide to return some or all of the capital raised. The alternative deployment of this capital may generate lower returns than anticipated under the Scott Dunn Acquisition.

## 3.5 Regulatory Risk – UK Civil Aviation Authority

The United Kingdom has a complex travel regulatory regime that requires package organisers (like Scott Dunn) to have insolvency protection in place in accordance with relevant regulations. Scott Dunn currently holds the required "Air Travel Organiser's Licence" ("ATOL") for its operations and the change in control effected by the Scott Dunn Acquisition requires pre-approval from the regulatory authority, the UK Civil Aviation Authority ("CAA") for the continuation of the ATOL ("Approval"). FLT has obtained Approval from the CAA, subject to compliance with certain covenants, guarantee requirements and escrow arrangements on an ongoing basis. If FLT fails to comply with any of these conditions (including through its control of Scott Dunn) there is a risk that the CAA may revoke, suspend or modify the terms of the ATOL which may materially impact Scott Dunn's ability to offer certain types of package holidays within the United Kingdom.

Under the Approval, as a condition subsequent to be satisfied as part of the FLT Group's and the Scott Dunn group's ATOL renewals from 1 April 2023, FLT will be required to provide a parent guarantee to the CAA up to an agreed percentage of the aggregate of the authorised forecast UK revenue of the FLT Group and the Scott Dunn group. A parent guarantee is provided by FLT to the CAA as part of the ATOL renewal of Flight Centre Travel Group (UK) Ltd (FLT UK) annually. As part of their consent to the Scott Dunn Acquisition, FLT's senior secured lenders have authorised FLT to provide a parent company guarantee to the CAA for an amount up to a certain stated limit. At the time of the FLT Group's and the Scott Dunn group's ATOL renewals from 1 April 2023, there is a risk that the CAA may require the FLT parent guarantee to be provided for an amount that is greater than the amount approved by FLT's senior secured lenders, and that the senior secured lenders may not consent to any such increase at that time. If FLT cannot obtain any such consent from its senior secured lenders, then the CAA may revoke or suspend the terms of the Scott Dunn ATOL and / or FLT UK's ATOL, which in turn will impact their ability to offer certain types of package holidays within the United Kingdom.

# Key risks (cont.)

## 3.6 Funding Risk

The Scott Dunn Acquisition will be funded out of the proceeds of the Placement and the SPP. Whilst the Placement (but not the SPP) is underwritten, the underwriting agreement is subject to customary conditions precedent and termination events – see risk factor titled “Underwriting risk” in paragraph 2.2 above for further information. If the conditions precedent are not satisfied (or waived) or the underwriting agreement is terminated, it is likely that the SPP will also be discontinued and Flight Centre will be required to find an alternate form of funding in order to complete the Scott Dunn Acquisition (which is not subject to a financing condition precedent). If Flight Centre is required to find an alternate form of financing, there is a risk that (i) Flight Centre’s senior secured lenders may not consent to the relevant arrangement in which case Flight Centre would be in default of its senior facility entitling the senior secured lender to (amongst other things) demand repayment of the drawn funds and/or (ii) that Flight Centre will be unable to put such arrangements in place in sufficient time so as to complete the Scott Dunn acquisition at all or in accordance with its terms. If the vendors terminate the agreement for failure to make timely payment, Flight Centre may be exposed to a damages claim.

Separately, whilst the SPP will contribute to the total purchase price of the Scott Dunn Acquisition (payable to the vendor within 5 business days of signing), the proceeds from the SPP will not be received by Flight Centre until 13 March 2023. In real terms this means that Flight Centre will initially utilise funds from its general cash to fund the \$40 million contribution to the Scott Dunn Acquisition purchase price that the SPP is intended to make. There is a risk however that the SPP falls short of its target of \$40 million in which case, Flight Centre’s general cash contribution will be permanent. Flight Centre has obtained the consent of its senior secured lenders to utilise its general cash in this way should it be required.

## 3.7 Key management

Certain management personnel of Scott Dunn have been identified by Flight Centre as critical to the ongoing performance of Scott Dunn and the execution of its growth plans. Failure to retain some or all of these individuals may materially adversely impact Scott Dunn’s operational and financial performance and the achievement of Flight Centre’s plans with respect to the business, including its growth strategy and integration plan. The ability to retain these individuals may ultimately be outside the control of Flight Centre.

## 3.8 Change of Control

The Scott Dunn Acquisition may trigger change of control clauses in some contracts to which Scott Dunn is a party. There is a risk that the counterparty will not provide their consent to the Scott Dunn Acquisition which may trigger a termination right in favour of that counterparty or the counterparty may seek to renegotiate terms to obtain such consent which may adversely affect Scott Dunn’s financial performance. This in turn could adversely affect Flight Centre’s financial performance post-the Scott Dunn Acquisition.

## 3.9 Integration of Scott Dunn and synergies

There is a risk that the integration of Scott Dunn into the Group may encounter unexpected challenges or issues or that this process takes longer than anticipated, diverts management attention or does not deliver the anticipated benefits (including EPS accretion) or synergies estimated to be derived from the Scott Dunn Acquisition. Possible problems may include:

- i. the uncertain economic environment in which the Scott Dunn Acquisition is taking place and how that might impact the business post-completion (see also paragraphs 1.2 and 3.17);
- ii. differences in corporate culture between the businesses being integrated;
- iii. lack of capability and talent to deliver integration;
- iv. unanticipated or higher than expected costs, delays or failures relating to integration of businesses, information technology, accounting or other systems;
- v. unanticipated or higher than expected costs associated with remediating compliance related issues identified in the course of Flight Centre’s due diligence process in relation to Scott Dunn;
- vi. loss of, or reduction in, key personnel, expert capability or employee productivity, or failure to procure or retain employees;
- vii. failure to derive the expected benefits of the strategic growth initiatives;
- viii. unanticipated dis-synergies; and
- ix. disruption of ongoing operations of other businesses of the Group.

Any of these possibilities, including failure to achieve the targeted synergies of integration, may mean that the anticipated benefits of the Scott Dunn Acquisition are not realized or may have an adverse impact on the Group’s operating and financial performance and the future price of Flight Centre shares.

# Key risks (cont.)

## 3.10 Foreign Exchange Risk

While the Placement and SPP is in Australian dollars, the majority of the Acquisition payments are denominated in GBP. The Group has entered into hedging arrangements which help protect against changes in the AUD:GBP exchange rate specifically to mitigate this risk. To the extent that the Scott Dunn Acquisition completes later than expected by Flight Centre, the cost of the Scott Dunn Acquisition payments may be more than expected by Flight Centre. The Group's hedging arrangements extend to the latest possible date for completion under the sale agreement with the vendors. If the Acquisition does not proceed, the Group may be exposed to movements in the AUD:GBP exchange rate to the extent that the relevant hedging arrangements have not been entered into on a deal-contingent basis. This means that if the GBP depreciates against the AUD and the Scott Dunn Acquisition does not proceed, the Group will suffer a loss, which will impact on its financial position and performance.

## 3.11 Restatement of financial information risk

As Scott Dunn is a UK business, it has historically reported its financial performance on a 31 October year end basis, using accounting standards and revenue recognition practices that are different to how the Company intends to record the financial performance of the Scott Dunn business following completion of the Scott Dunn Acquisition. Although the Company has undertaken limited due diligence investigations and analysis of Scott Dunn's financial information as part of restating Scott Dunn's forecast financial information to reflect (where the Company believes appropriate) a 30 June year end and the impact of the accounting standards and revenue recognition practices that will be adopted in relation to that financial information going forward, this information has not been subject to audit. If any of the financial information that was provided is incomplete, inaccurate or misleading, or if there were any errors in the restating of Scott Dunn's historical and forecast financial information, the benefits expected to be derived from the Scott Dunn Acquisition may not be delivered, or may not be delivered in the time period anticipated. See also paragraph 3.2 above.

## 3.12 Impairment risk

As part of the Scott Dunn Acquisition due diligence, Flight Centre performed a fair value assessment of Scott Dunn's assets (including intangibles) and liabilities. There is a risk that these carrying balances and intangible assets, including goodwill on consolidation of Scott Dunn into the Flight Centre Group may become impaired in the future. In the event that goodwill or any other intangible assets are required to be impaired under the Australian Accounting Standards post completion of the Acquisition, this will result in an additional expense in the income statement of the Group which in turn could have an adverse impact on the Group's financial position and performance.

## 3.13 Foreign jurisdiction compliance and regulatory risk

The Scott Dunn Acquisition will expand the Group's operations into new market segments and increase the Group's presence in existing jurisdictions in which it operates, in particular the United Kingdom and the United States. The Group will face on-going legal risk arising from its increased exposure to a wide range of laws, regulatory requirements and industry standards and codes in these jurisdictions (including tax laws and policies, competition, regarding any underpayments of wages or misclassification of employees, anti-money laundering, anti-bribery and corruption, counter-terrorism financing, and sanctions, each of which have been the subject of significant regulatory change and enforcement in recent years). This includes increased exposure to the heavily regulated environment of the UK travel industry in respect of consumer insolvency protection.

The Group may also inherit historic liabilities as part of the Scott Dunn Acquisition (for example as a result of historic breaches or non-systemic / isolated gaps in compliance relating to incidents of an immaterial value), some of which may not have been identified and considered as part of the due diligence that was undertaken (see also paragraph 3.2 above). The frameworks identified as having allowed these historical incidents to occur will be addressed by the Group post the Scott Dunn Acquisition via the introduction of appropriate compliance controls.

Any failure to comply with applicable laws, regulatory requirements and industry standards and codes by the Group (or Scott Dunn historically) could have serious legal and reputational consequences for the Group and its employees, which in turn may impact the Group's financial position and performance. See also paragraph 1.14 above.

## 3.14 Data security risks

Scott Dunn is subject to similar data security risks as Flight Centre. Flight Centre will inherit any historic data security issues post the Scott Dunn Acquisition which may have an adverse impact on Flight Centre's business and reputation. See also paragraph 1.17 above.

# Key risks (cont.)

## 3.15 Privacy risks

From a privacy/compliance risk perspective, Scott Dunn's operations in the United Kingdom and California (USA), are markets where: the national privacy laws are constantly evolving; privacy compliance obligations are onerous; the respective supervisory authorities are actively enforcing regulations; and where there are large financial penalties for non-compliance. In addition, Scott Dunn's business model of providing bespoke, personalised, high value travel, is predicated on intimately knowing their customers to specifically tailor offerings to each traveller. Such a business model necessarily requires the collection and storage of greater levels of sensitive personal data than would otherwise be required for the offering of non-personalised 'bulk' travel services. To manage these risks and support its business model/operations, Scott Dunn (and post the Scott Dunn Acquisition, Flight Centre) needs to continually invest in and uplift its internal privacy expertise and controls (which post the Scott Dunn Acquisition will require additional expenditure by Flight Centre and therefore will impact on Flight Centre's financial position and performance). If Scott Dunn (or post the Scott Dunn Acquisition, Flight Centre) fails to do so, it may be exposed to regulatory action and fines for non-compliance which may be substantial given the markets in which operations are located (which post the Scott Dunn Acquisition may have an adverse impact on Flight Centre's reputation, financial position and performance).

## 3.16 Third party information technology risk

Scott Dunn is reliant on third parties from which it receives information technology services (including the licensing-in of applications that are material to Scott Dunn's business). In most cases these services are provided, and applications are licensed, on the relevant supplier's standard terms and conditions. These arrangements and licences will need to be renewed or extended in the future. There is no guarantee that post the Scott Dunn Acquisition the Company will be able to conclude licensing arrangements for those products or technology with appropriate partners on commercially acceptable terms, or at all. Failure to secure appropriate licensing arrangements, or any disruption, variation or termination of the existing arrangements, may impact the financial performance of Scott Dunn and in turn result in an adverse impact on the Group's business, financial condition and results of operations.

## 3.17 General economic conditions

The general economic risks noted in paragraphs 1.2 and 1.3 may be exacerbated by the Acquisition given the increased exposure to the economic and business conditions in the jurisdictions in which Scott Dunn operates, in particular in the United Kingdom and United States. Should economic conditions in these markets deteriorate further, this may affect discretionary spending on travel and leisure and the operating and financial performance of Scott Dunn and the Group.



## Appendix C

# International offer restrictions



# International offer restrictions

## International Offer Restrictions

This document does not constitute an offer of new ordinary shares ("**New Shares**") of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

### Bermuda

No offer or invitation to subscribe for New Shares may be made to the public in Bermuda or in any manner that would constitute engaging in business in or from within Bermuda. In addition, no invitation is being made to persons resident in Bermuda for exchange control purposes to subscribe for New Shares.

### Canada (British Columbia, Ontario and Quebec provinces)

This document constitutes an offering of New Shares only in the Provinces of British Columbia, Ontario and Quebec (the "Provinces"), only to persons to whom New Shares may be lawfully distributed in the Provinces, and only by persons permitted to sell such securities. This document is not a prospectus, an advertisement or a public offering of securities in the Provinces. This document may only be distributed in the Provinces to persons who are "accredited investors" within the meaning of National Instrument 45-106 – Prospectus Exemptions, of the Canadian Securities Administrators.

No securities commission or authority in the Provinces has reviewed or in any way passed upon this document, the merits of the New Shares or the offering of the New Shares and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the offering of New Shares or the resale of such securities. Any person in the Provinces lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the New Shares in the Provinces must be made in accordance with applicable Canadian securities laws. While such resale restrictions generally do not apply to a first trade in a security of a foreign, non-Canadian reporting issuer that is made through an exchange or market outside Canada, Canadian purchasers should seek legal advice prior to any resale of the New Shares.

The Company as well as its directors and officers may be located outside Canada and, as a result, it may not be possible for purchasers to effect service of process within Canada upon the Company or its directors or officers. All or a substantial portion of the assets of the Company and such persons may be located outside Canada and, as a result, it may not be possible to satisfy a judgment against the Company or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Company or such persons outside Canada.

Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

Statutory rights of action for damages and rescission. Securities legislation in certain Provinces may provide a purchaser with remedies for rescission or damages if an offering memorandum contains a misrepresentation, provided the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's Province. A purchaser may refer to any applicable provision of the securities legislation of the purchaser's Province for particulars of these rights or consult with a legal adviser.

Certain Canadian income tax considerations. Prospective purchasers of the New Shares should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding or disposition of the New Shares as there are Canadian tax implications for investors in the Provinces.

Language of documents in Canada. Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the New Shares (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

# International offer restrictions

## Cayman Islands

No offer or invitation to subscribe for New Shares may be made to the public in the Cayman Islands or in any manner that would constitute carrying on business in the Cayman Islands.

## European Union

This document has not been, and will not be, registered with or approved by any securities regulator in the European Union. Accordingly, this document may not be made available, nor may the New Shares be offered for sale, in the European Union except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the "Prospectus Regulation").

In accordance with Article 1(4)(a) of the Prospectus Regulation, an offer of New Shares in the European Union is limited to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation).

## Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). Accordingly, this document may not be distributed, and the New Shares may not be offered or sold, in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

## Malaysia

This document may not be distributed or made available in Malaysia. No approval from, or recognition by, the Securities Commission of Malaysia has been or will be obtained in relation to any offer of New Shares. The New Shares may not be offered, sold or issued in Malaysia except pursuant to, and to persons prescribed under, Schedule 6 and Schedule 7 of the Malaysian Capital Markets and Services Act 2007.

## New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

# International offer restrictions

## Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007 no. 75. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act. The New Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in the Norwegian Securities Trading Act).

## Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part 13 of the Securities and Futures Act 2001 of Singapore (the "SFA") or another exemption under the SFA.

This document has been given to you on the basis that you are an "institutional investor" or an "accredited investor" (as such terms are defined in the SFA). If you are not such an investor, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party in Singapore. On-sale restrictions in Singapore may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

## Switzerland

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No offer or invitation to subscribe for New Shares is valid, or permitted from any person, in the Abu Dhabi Global Market or the Dubai International Financial Centre.

# International offer restrictions

## United Kingdom

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares.

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