Helloworld Limited

1H17

CEO Andrew Burnes

CFO Michael Burnett

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This document includes the presentation of results on a statutory basis as well as non-statutory information. All financial results are presented in AUD unless otherwise stated and rounded to millions. Data used for calculating percentage movements has been rounded to thousands.

Key non-statutory financial metrics

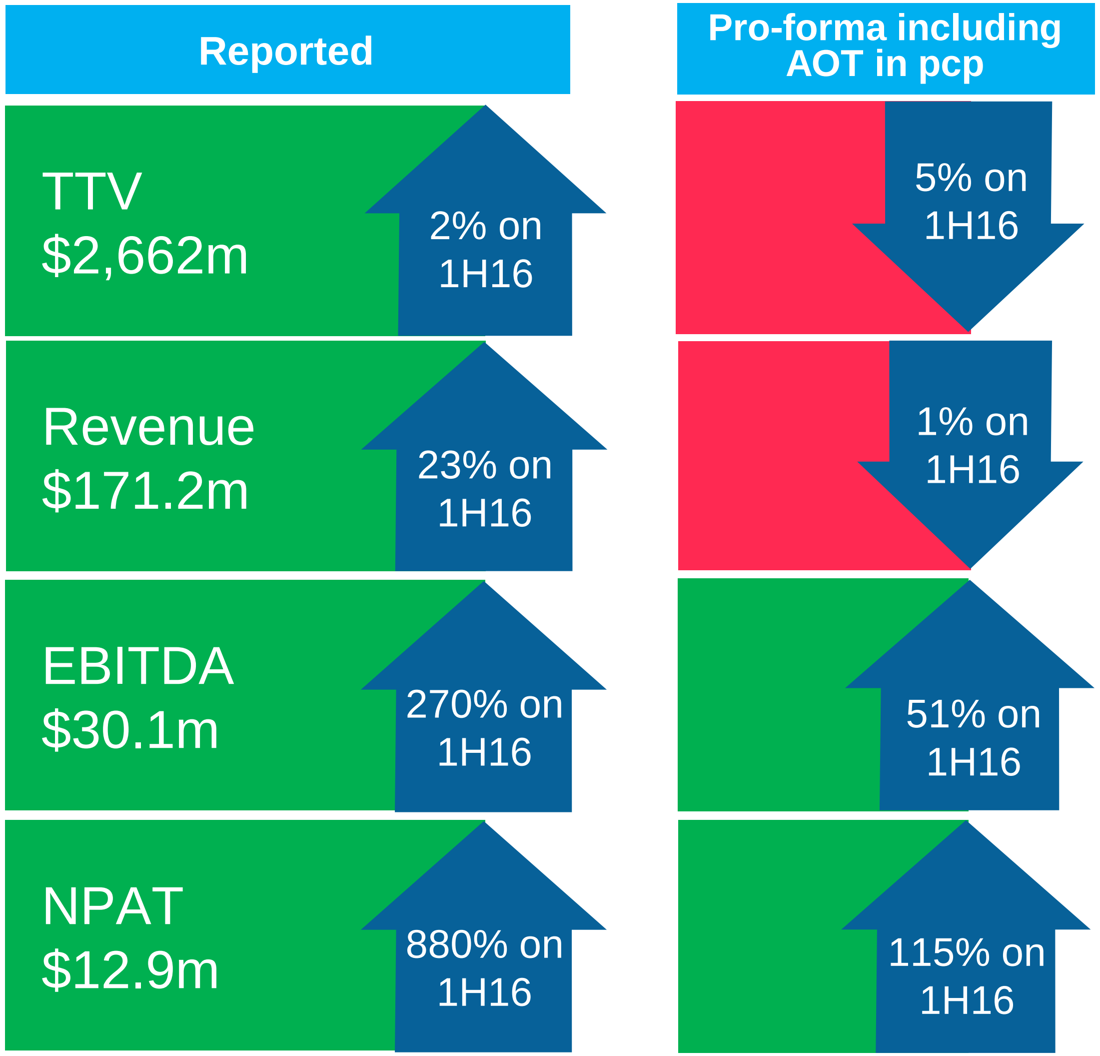
***Total Transaction Value (TTV)* - *does not represent revenue in accordance with Australian Accounting Standards. TTV represents the price at which travel products and services have been sold across the Group, as agents for various airlines and other service providers, plus revenue from other sources. The Group's revenue is, therefore, derived from TTV. Total TTV does not represent the Group cash inflows as some transactions are settled directly between the customer and the supplier.*

Earnings before interest expense, tax, depreciation and amortisation (EBITDA) - *is a financial measure which is not prescribed by Australian Accounting Standards but is the measure used by the Board to assess the financial performance of the Group and operating segments.*

Pro-forma - *The group results for the half year ended 31 December 2015 has been restated to reflect the inclusion of the AOT Group, adjusted for one off items relating to the merger with AOT and the one-off settlement of a GST legal matter. The pro-forma 31 December 2015 results has been included for illustrative purposes to compare the underlying performance between financial years.*

Agenda

1H17 Key Highlights



Reported		Pro-forma including AOT in pcp
TTV $2,662m	↑ 2% on 1H16	↓ 5% on 1H16
Revenue $171.2m	↑ 23% on 1H16	↓ 1% on 1H16
EBITDA $30.1m	↑ 270% on 1H16	↑ 51% on 1H16
NPAT $12.9m	↑ 880% on 1H16	↑ 115% on 1H16

- Significant turnaround compared with prior half year
  - ➢ EBITDA $22.0m above prior comparative half year on reported basis and $10.2m above prior comparative half year on pro-forma basis.
  - ➢ Net profit after tax increased to $12.9m compared to a loss of $1.7m in prior comparative period.
- TTV impacted by
  - ➢ lower airfare prices, however ticketing volumes increased.
  - ➢ Relaunch of Helloworld.com.au after exiting unprofitable Orbitz relationship.
- Margin increases starting to be realised.
- Growth in retail network members, addition of agency groups World Travellers in NZ and Mobile Travel Agents (MTA) in Australia.
- On track to achieve merger synergies and cost reductions target of $17.1m by 30 June 2017.
- Continue to re-engage with Helloworld family.
- Interim dividend of 6.0 cents per share.

Financial Performance

Group Half Year Result

	1H17 $m	1H16 $m	Change %	1H16 Pro-Forma $m	Change %
Total Transaction Value (TTV)	**2,661.9**	2,606.0	2.1%	2,810.2	(5.3%)
Revenue	**171.2**	139.0	23.2%	172.2	(0.6%)
Gross margin %	**6.4%**	5.3%	1.1%	6.1%	0.3%
EBITDA	**30.1**	8.1	270.3%	19.9	51.0%
EBITDA % of revenue	**17.6%**	5.8%	11.7%	11.6%	6.0%
Profit/(Loss) before tax	**18.7**	(1.0)	1925.8%	9.1	105.3%
Net profit after tax	**12.9**	(1.7)	880.1%	6.0	114.9%
Interim dividend proposed (cents per share)	**6.0c**	-	-	-	-
Basic earnings/(Loss) per share (cents)	**11.5c**	(2.3c)	609.8%	8.2c	39.1%
Diluted earnings/(Loss) per share (cents)	**11.3c**	(2.3c)	603.6%	8.2c	37.4%

- $2.7 billion TTV despite challenging market conditions.
- TTV impacted by lower airfare prices and relaunch of Helloworld.com.au
- Air Ticketing volumes increased
- Revenue maintained driven by TTV margin improvements.
- Operating expenses well controlled and cost reduction program delivering.
- EBITDA increase of $22.0m compared with prior comparative half year reported result.
- EBITDA growth across all business segments against prior comparative half year on both reported and pro-forma basis.
- Net profit increase of $14.6m compared to prior comparative half year reported result.
- First interim dividend since December 2012.

Significant one-off items

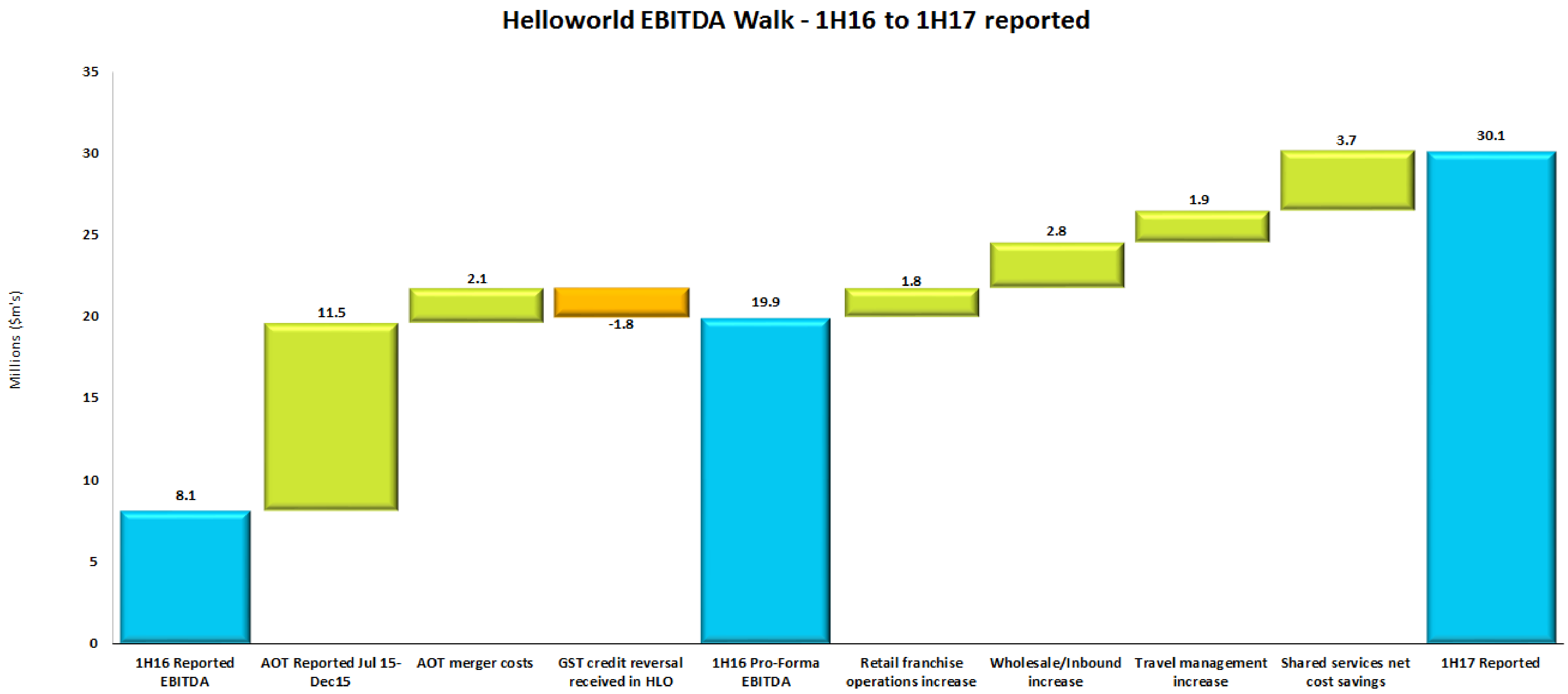
	1H17 $m	1H16 $m
AOT merger costs	-	2.1
Redundancy costs	0.2	0.8
Business transformation	-	0.4
Recovery/(costs) relating to GST matter	-	(1.8)
TOTAL	**0.2**	**1.5**

Prior comparative half year includes significant items for:

- AOT acquisition costs from merger incurred by Helloworld.
- Business transformation cost mainly reflecting NZ store rebrand.
- Helloworld GST release of provision on GST disputed case with ATO.

Limited one-off items in the current period.

Group EBITDA – 1H17

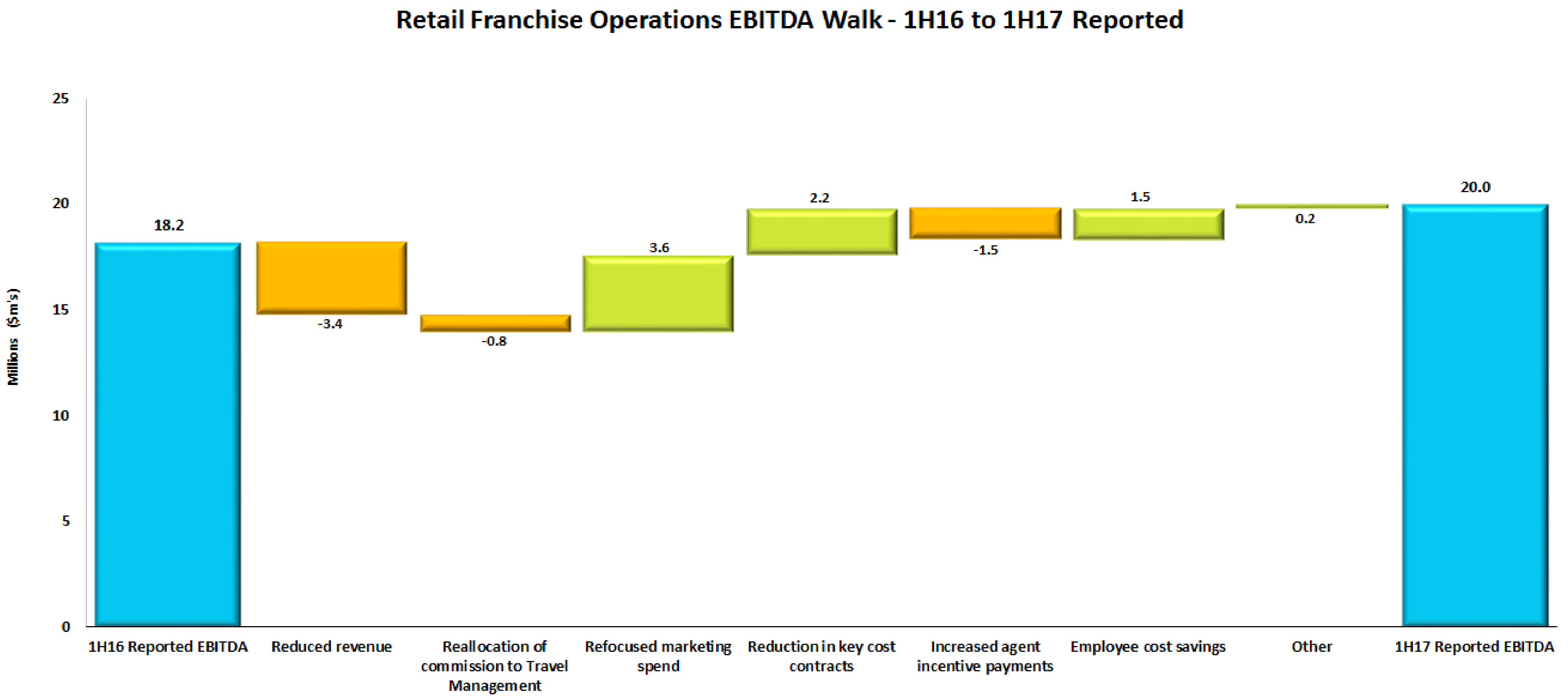


Retail Franchise Operations

	1H17 $m	1H16 $m	Change %
Total Transaction Value (TTV)	**2,019.3**	2,123.1	(4.9%)
Revenue	**74.6**	78.9	(5.4%)
Gross margin %	**3.7%**	3.7%	(0.6%)
Operating expenses	**(54.6)**	(60.7)	10.0%
EBITDA	**20.0**	18.2	9.9%
Shared Services allocation	**(5.7)**	(7.7)	26.0%
EBITDA after Shared Services	**14.3**	10.5	36.2%

- TTV and revenue decline caused by
    - Lower domestic (-4%) and international (-12%) airfares, however overall transaction volumes increased by 19% and gross revenue margin maintained.
    - Relaunch of Helloworld.com.au after exiting unprofitable Orbitz relationship.
- Continued focus on efficiencies and cost control.
- Refocused and reinvigorated marketing program providing increased supplier and industry support.
- Total members have grown to 2,049 with the significant addition of Mobile Travels Agents (MTA) in Australia and World Travellers Group in NZ.
- Acquisition of 50% of MTA completed to give a significant footprint in a growing sector.
- Positive growth in the NZ retail network continues following prior year brand launch.

Retail Franchise Operations - EBITDA 1H17



Growth in member networks and numbers

BRANDED
AUSTRALIA & NEW ZEALAND

INDEPENDENT
AUSTRALIA & NEW ZEALAND

BRANDED MODEL	CORPORATE MODEL	ASSOCIATE MODEL	INDEPENDENT MODEL	TRAVEL BROKERS MODEL	TOTAL
DEC 16: 329 JUN 16: 334	DEC 16: 73 JUN 16: 73	DEC 16: 317 JUN 16: 321	DEC 16: 891 JUN 16: 855	DEC 16: 439 JUN 16: 83	DEC 16: 2,049 JUN 16: 1,666

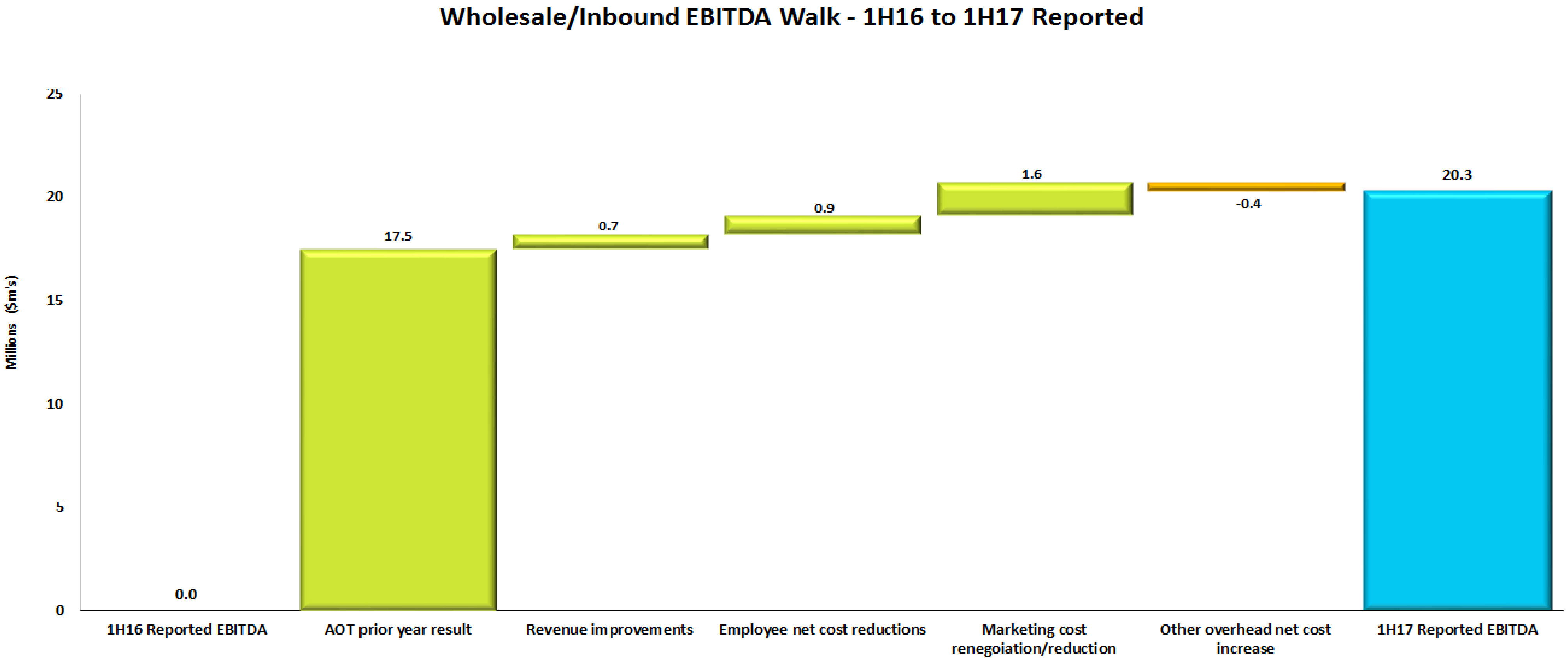
- Total members have grown to 2,049, an increase of 383 from the 1,666 members at 30 June 16
- Australian network continues to expand as brand recognition grows and through the strategic acquisition of MTA
- NZ business has grown to 91 branded and associate members, 118 affiliate members and 80 Travel Brokers providing a strong distribution platform

Wholesale/Inbound

	1H17 $m	1H16 $m	Change %	1H16 Pro-Forma $m	Change %
Total Transaction Value (TTV)	**504.0**	314.8	60.1%	519.0	(2.9%)
Revenue	**69.0**	35.0	96.9%	68.3	1.0%
Gross margin %	**13.7%**	11.1%	23.0%	13.2%	4.0%
Operating expenses	**(48.7)**	(35.0)	(39.0%)	(50.8)	4.1%
EBITDA	**20.3**	0.0	N/A	17.5	16.0%
Shared Services allocation	**(7.9)**	(3.3)	(137.5%)	(9.1)	13.2%
EBITDA after Shared Services	**12.4**	(3.3)	(475.5%)	8.4	47.6%

- Significant contribution from AOT business
- Revenue growth driven by focus on margin expansion with strong performance in international and cruise divisions.
- Initiatives between Helloworld and AOT wholesale brands delivering improved margins and reduced costs.
- Significant focus on product to market and campaign activity.
- Expanding product range, providing customers with more choice.
- Increased demand for our inbound business.

Wholesale/Inbound - EBITDA 1H17

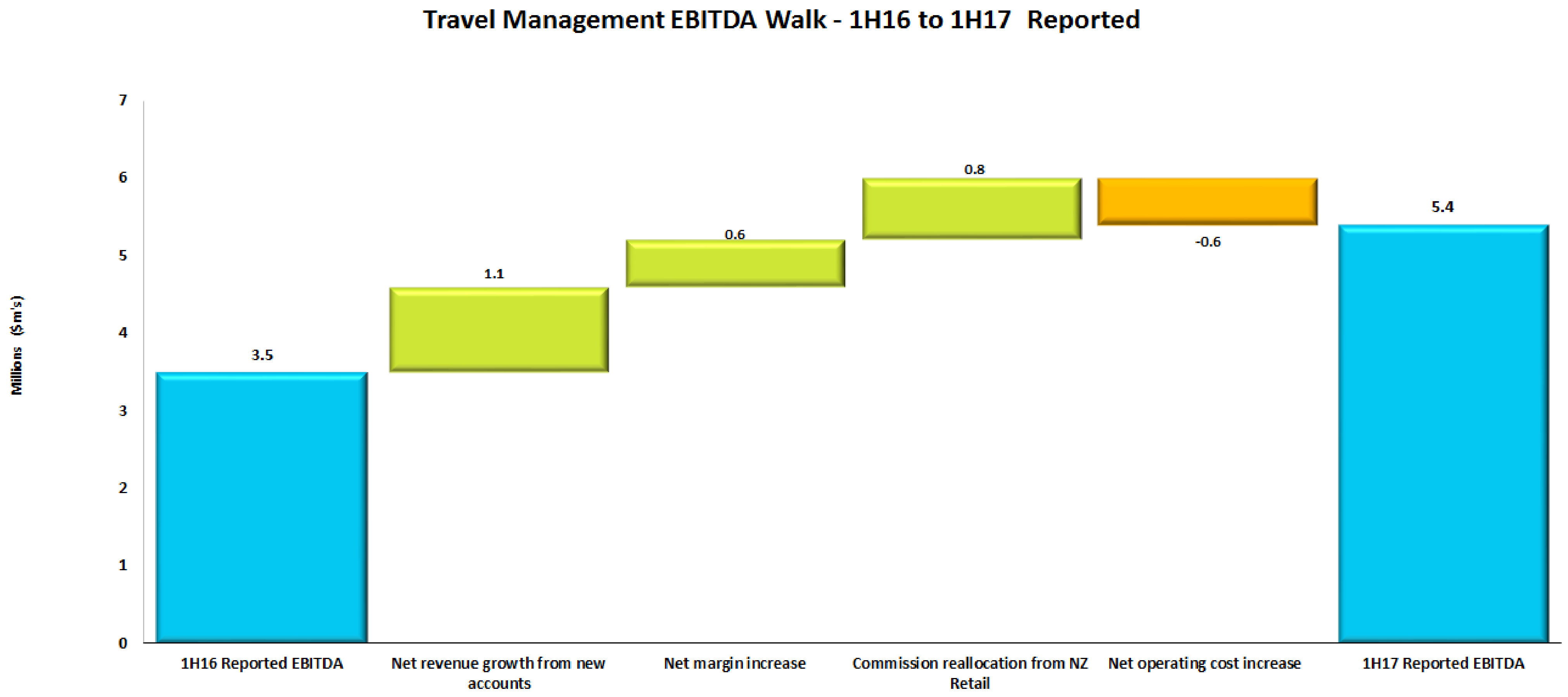


Travel Management

	1H17 $m	1H16 $m	Change %
Total Transaction Value (TTV)	**392.9**	369.9	6.2%
Revenue	**25.9**	23.4	10.7%
Gross margin %	**6.6%**	6.3%	4.2%
Operating expenses	**(20.5)**	(19.9)	(3.0%)
EBITDA	**5.4**	3.5	54.3%
Shared Services allocation	**(2.0)**	(2.5)	20.0%
EBITDA after Shared Services	**3.4**	1.0	240.0%

- TTV and revenue growth being driven by new business from the Northern Territory government and PricewaterhouseCoopers
- Growth in margin due to renegotiation of existing commercial arrangements.
- Continued investment in technology to drive efficiencies and automation to improve productivity and service levels for both online and offline customers.
- New Zealand All of Government (AoG) travel procurement contract rolled for a further 2 year period to July 2019.

Travel Management - EBITDA 1H17

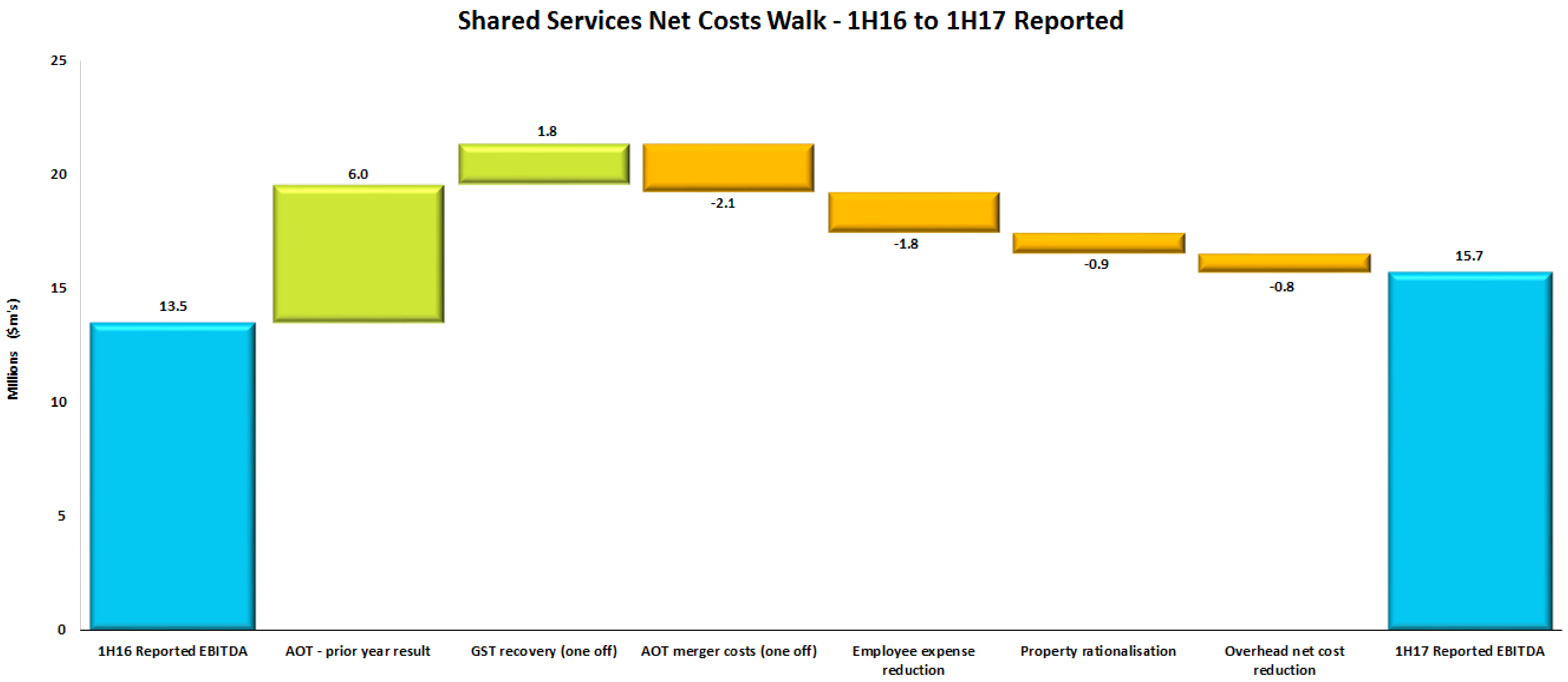


Shared Services Costs

	1H17 $m	1H16 $m	Change %	1H16 Pro-Forma $m	Change %
Revenue	**1.7**	1.6	6.2%	1.6	6.2%
Operating expenses	**(17.4)**	(15.1)	(15.2%)	(20.9)	16.7%
Shared Services net costs	**(15.7)**	(13.5)	(16.3%)	(19.3)	18.7%
Depreciation/amortisation/Interest	**(9.5)**	(7.8)	(21.8%)	(10.8)	12.0%
Net operating expenses	**(25.2)**	(21.3)	(18.3%)	(30.1)	16.3%

- Significant progress on integration benefits with AOT being reflected in results.
- Net costs have increased due to the inclusion of AOT.
- Underlying net costs has shown significant reduction reflecting cost synergies and other annual cost savings implemented since the merger.
- One off events in prior comparative half year of AOT merger costs of $2.1m, partially offset by $1.8m GST recovery involving disputed claim.

Shared Services – Net Costs 1H17



EBITDA to NPAT reconciliation

	1H17 $m	1H16 $m	1H16 Pro-Forma $m
EBITDA	**30.1**	**8.1**	**19.9**
Depreciation/amortisation	(10.0)	(7.6)	(9.0)
Finance costs	(1.4)	(1.5)	(1.8)
Net profit before tax	**18.7**	**(1.0)**	**9.1**
Income tax expense	(5.8)	(0.7)	(3.1)
Net profit after tax	**12.9**	**(1.7)**	**6.0**
Basic earnings per share (cents)	11.5c	(2.3c)	8.2c
Interim dividend per share (cents)	6.0c	-	-

- Depreciation/amortisation increase from completed projects (Resworld/Helloworld online) now delivering revenue.
- Actual capital expenditure for half year at $6.1m compared with $9.3m for prior comparative half year.
- Finance costs reduction due to repayment of long term debt and lower interest rates.
- Strong net profit and earnings per share, supporting interim dividend declared.

Liquidity and Funding

	Dec 16 $m	Jun 16 $m	Dec 15 $m
Company cash	34.0	26.2	20.7
Client cash	132.5	176.4	119.4
Total cash	**166.5**	**202.6**	**140.1**
Drawn debt	(30.3)	(47.5)	(25.4)
Net cash	**136.2**	**155.1**	**114.7**

- $17m of debt repaid during the period.
- Successful new share issue of 7.0m shares at $4.25 per share.
- Total cash decrease reflects seasonality of client cash, partially offset by cash generated from strong operating profits.
- Secured financing facilities in place until 2019.

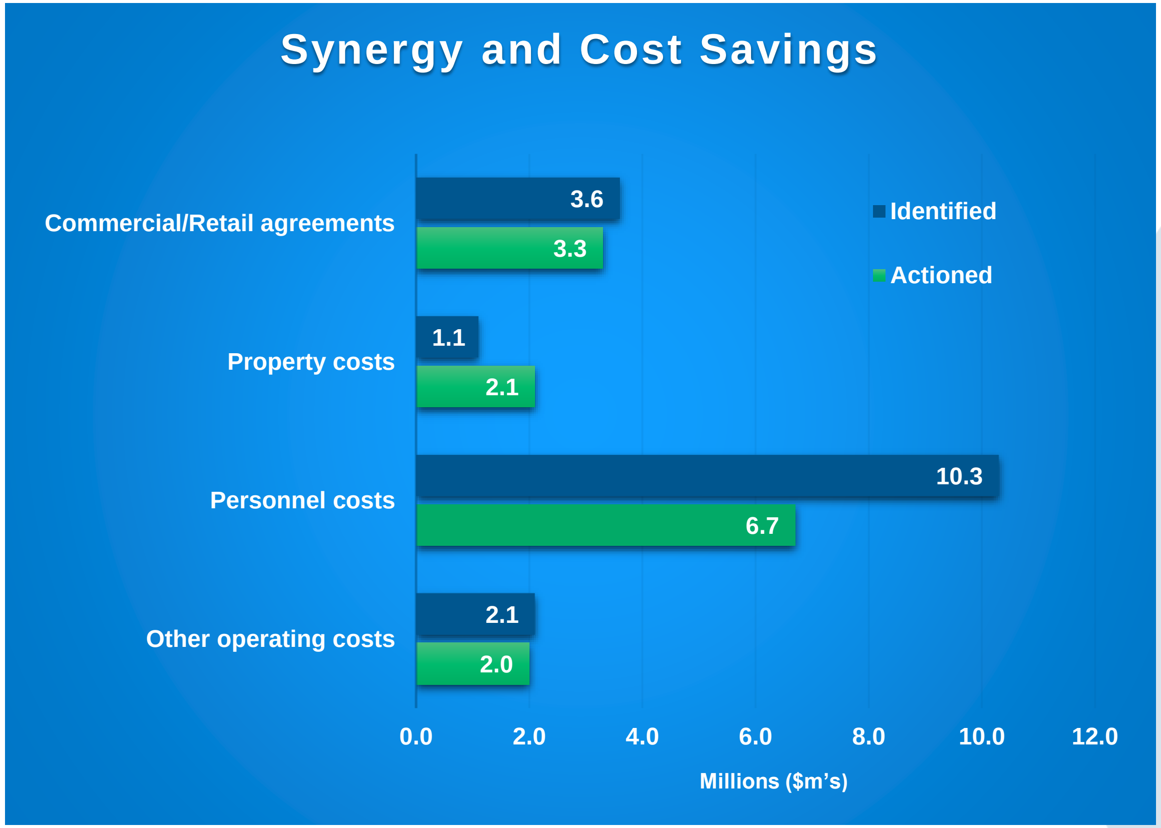
Cash Conversion

	1H17 $m	1H16 $m	Change $m
EBITDA	**30.1**	**8.1**	**22.0**
Non cash and working capital movement	(6.1)	(6.8)	0.7
Interest paid	(1.2)	(1.0)	(0.2)
Income tax paid	(3.5)	(1.6)	(1.9)
Underlying operating cash flow (1)	**19.3**	**(1.3)**	**20.6**
Net outflow from capital expenditure	(6.1)	(9.3)	3.2
Underlying free cash flow (excluding acquisition/disposal of investments)	13.2	(10.6)	23.8

(1) The difference between the underlying cash flow and the reported statutory operating cash flow for December 2016 and December 2015 relates to the negative movement in client cash of $43.9m (2015 : $29.4m)

- Strong underlying free cash flow generated of $13.2m, being an improvement of $23.8m compared with prior comparative half year.
- Decline in non cash and working capital of $6.1m mainly reflects seasonality of our customers and suppliers.
- Disciplined cost control and refocus of our capital projects.

Analysis of Synergies & Cost Reduction



	Identified	Actioned
Commercial/Retail agreements	3.6	3.3
Property costs	1.1	2.1
Personnel costs	10.3	6.7
Other operating costs	2.1	2.0

We have actioned $1.6m ($3.5m identified) of one off costs to generate our current synergy and cost savings.

Actioned $14.1m of the $17.1m cost reduction program, with the remaining $3.0m to be actioned by 30 June 2017

Since 30 June 2016, our key actions include :

- Reduction of employees numbers and restructure of associated employee functions
- Renegotiation of key supplier contracts
- Property rationalisation
- Refocus advertising and marketing spend with greater supplier contributions
- Rationalisation and simplification of IT services and costs

Business Focus and Priorities

Our strong and expanding portfolio

New technologies – Clicks and Mortar strategy

1
Helloworld.com.au

- Site relaunch August 2016
- Consolidating agent partnerships
- Delivering better customer outcomes

2
ResWorld

- Launched September 2016
- In-house consultant portal
- Driving consultant productivity & outlet yield outcomes
- Promoting preferred supplier partners

3
Agent Micro Sites

- Fully branded agency portals
- Enhancing the customer experiences
- Come with CMS and CRM systems

Continued Business Focus

1
Business Integration

- Improving margins
- Consolidating advantages
- Systems consolidation
- Premises consolidation

2
Agent Focus

- Demonstrating value proposition
- Agent engagement
- Aligned clicks and mortar strategy

3
Technology

- ResWorld
- helloworld.com.au
- Improving digital solutions across wholesale and corporate divisions
- Inbound systems development

4
Cost Control & Efficiencies

- Structure and remuneration
- Property
- Technology and communications
- Advertising and Marketing
- Process efficiencies

5
Brand Awareness

- NZ member growth
- Ongoing build
- Key sponsorships
- Traditional & digital media mix

6
Organic Growth

- Asia
- Inbound
- Travel Management
- Networks

Conclusion

- A very solid performance in the first half of the year with significant EBITDA growth compared to prior comparative half year, on a reported and pro-forma basis. This is primarily being driven by improved revenue margins and implementation of merger synergies and other cost savings.
- Merger synergies and cost reductions identified of $17.1m are on track to be achieved by 30 June 2017 and are delivering significant improvement to our result.
- Continued returns to shareholders.
- Reconfirmed previous FY17 guidance of EBITDA $47.0 million to $51.0 million.

Appendix

Restatement of TTV under revised methodology

$m	Retail Franchise Operations		Wholesale / Inbound		Travel Management		Eliminations		Consolidated	
	1H17	1H16	1H17	1H16	1H17	1H16	1H17	1H16	1H17	1H16
TTV - previous methodology	1,633.4	1,751.5	495.3	309.6	370.7	369.9	-	-	**2,499.4**	**2,431.0**
Recognition of retail sales through wholesale network	223.4	196.6	-	-	-	-	(223.4)	(196.6)	-	-
Recognition of wholesale network TTV to company owned stores	-	-	8.7	5.2	-	-	(8.7)	(5.2)	-	-
Recognition of retail sales via self plate	36.7	51.0	-	-	-	-	-	-	**36.7**	**51.0**
Recognition of retail ancillary products sold	125.8	124.0	-	-	-	-	-	-	**125.8**	**124.0**
Recognition of inter-segment travel management sales	-	-	-	-	22.2	-	(22.2)	-	-	-
Restated TTV	**2,019.3**	**2,123.1**	**504.0**	**314.8**	**392.9**	**369.9**	**(254.3)**	**(201.8)**	**2,661.9**	**2,606.0**

TTV has been restated to reflect revised methodology. TTV adjusted to ensure:

- TTV represents sales that result in revenue.
- Recognition of ancillary products sold, not previously recognised.
- Recognition of cross segment TTV, that is eliminated on consolidation.

Thank you