helloworld TRAVEL LIMITED

1H18

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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.*

Agenda

1. Overview
2. Financial Performance
3. Business Focus and Priorities
4. Appendix

Overview

1H18 Results Overview

TTV **$2,967.9m**	**2.7% on 1H17**
Revenue **$164.9m**	**(3.7%) on 1H17**
EBITDA **$35.5m**	**18.2% on 1H17**
NPAT **$18.1m**	**40.0% on 1H17**
Interim Dividend **7.0 cents**	**16.7% on 1H17**

- TTV growth continues. Growth in ticketing volumes, partially offset by continued lower airfare prices.
- Revenue decrease reflects impact of disposed operations and restructure of Insider Journeys business. Excluding this impact, revenue decrease was $1.6m or 1.0% reflecting lower airfare prices and mix change.
- Significant profitability growth in both EBITDA and NPAT:
  - Focus on profitable revenue streams; and
  - Right size cost base through cost reduction and productivity initiatives. Benefit from implemented prior year merger synergies to current year.
- Member, agent and corporate satisfaction continued to strengthen, as evidenced by growth in retail network.
- Rewarding shareholders with 7.0 cents per share interim fully franked dividend, 16.7% growth on prior year.

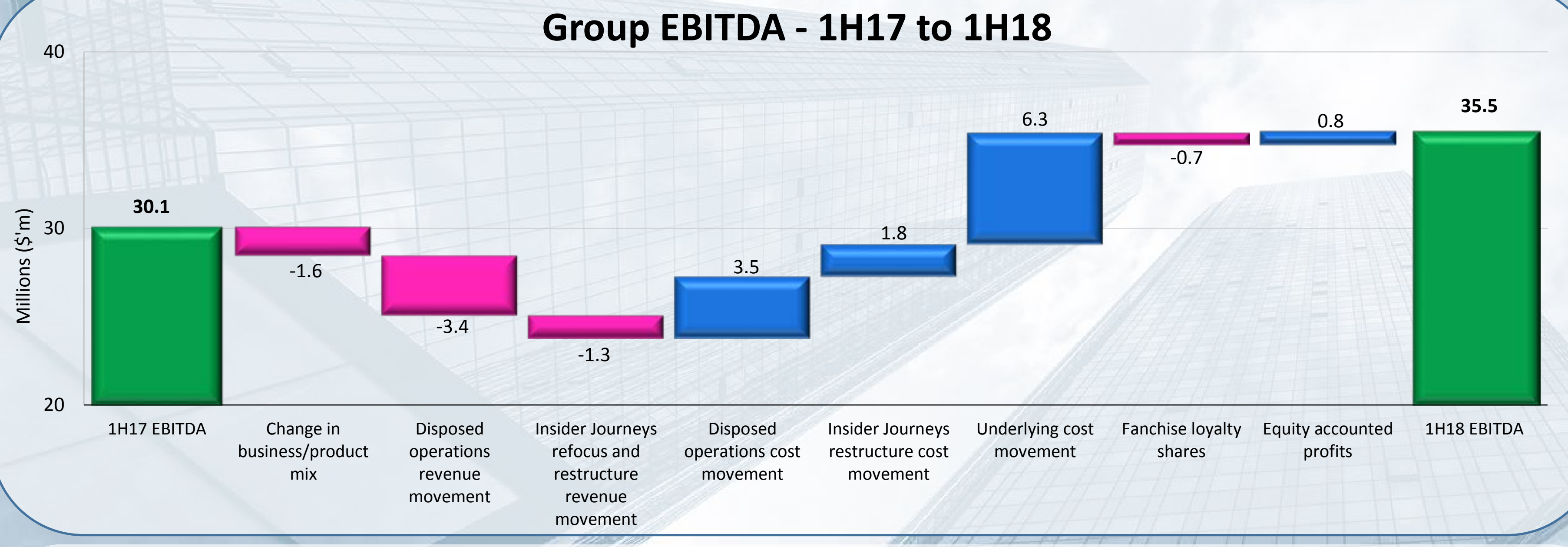
Financial Performance

1H18 Half Year Results

	1H18 $m	1H17 $m	Change %
Total Transaction Value (TTV)	2,967.9	2,890.1	2.7%
Revenue	164.9	171.2	(3.7%)
Gross margin %	5.6%	5.9%	(0.3%)
EBITDA	35.5	30.1	18.2%
EBITDA % of revenue	21.6%	17.6%	4.0%
Profit before tax	26.0	18.7	39.2%
Net profit after tax	18.1	12.9	40.0%
Basic earnings per share (cents)	15.4	11.5	33.9%
Diluted earnings per share (cents)	15.3	11.5	33.0%
Interim dividend (cents per share)	7.0	6.0	16.7%
Final dividend paid in current year (cents per share)	8.0	2.0	300.0%

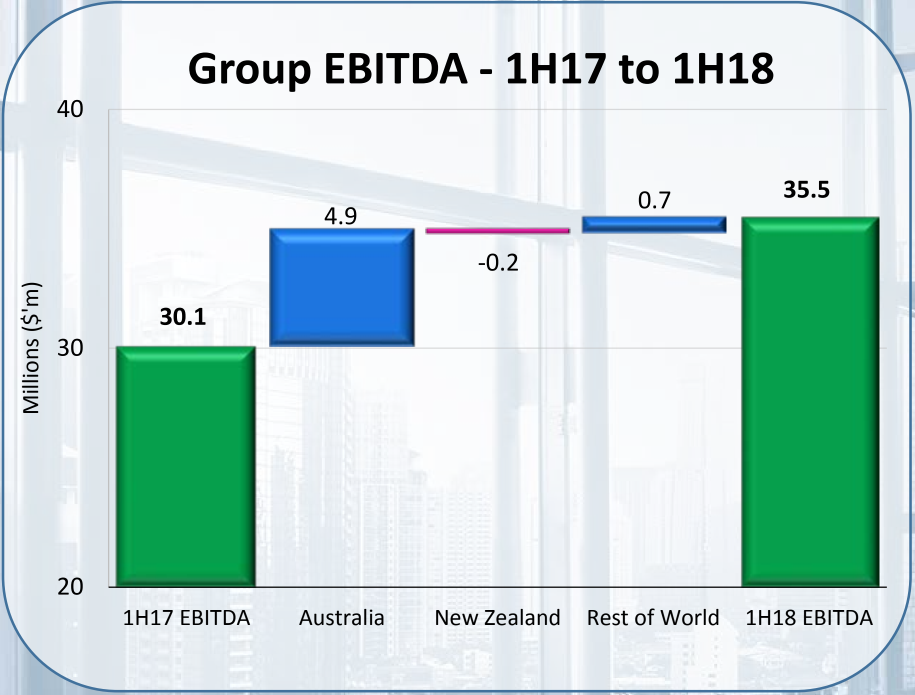
- TTV growth of 2.7% underpinned by strong volume growth, partially offset by lower ticket prices.
- Revenue reduced by 3.7% with lower gross margin at 5.6% mainly due to impact of disposed operations and restructured Insider Journeys business. Excluding this impact, revenue decrease was $1.6m or 1.0% impacted by:
  - ➢ Business unit mix change and product mix change; and
  - ➢ Continued lower air ticket prices.
- Excellent cost performance with new cost and productivity initiatives and flow on from prior year merger synergies, that will continue to deliver benefits.
- Strong EBITDA margin improvement of 4.0% to 21.6%.
- Net profit after tax growth of 40.0% to $18.1m and basic EPS growth of 33.9% to 15.4 cents per share.

Group EBITDA – by nature



- Underlying revenue has decreased by $1.6m, representing margin changes from lower airfare prices business unit mix change (growth in lower margin air division) and product mix change (wholesale growth in lower margin cruise business).
- The disposed operations include the air representation business (sold Jan 17) which had revenue of $1.9m and operating expenses of $1.5m in the prior corresponding period and reduced number of company owned stores across Australia and New Zealand, resulting in a revenue reduction of $1.5m and costs reduction of $2.0m compared with the corresponding period. As at 31 December 17, there are 5 (Dec 16: 15) company owned stores in the network.
- Insider Journeys business has been restructured in the last 12 months, with a turnaround focus on profitability. The revenue decrease was $1.3m and operating cost decrease was $1.8m, leading to improved performance of $0.5m.
- Business focus continues to be on right sizing our operational cost base, with reduction of $6.3m compared with prior year, led by significant reductions in employee and operating expenses.

Group EBITDA – by segment



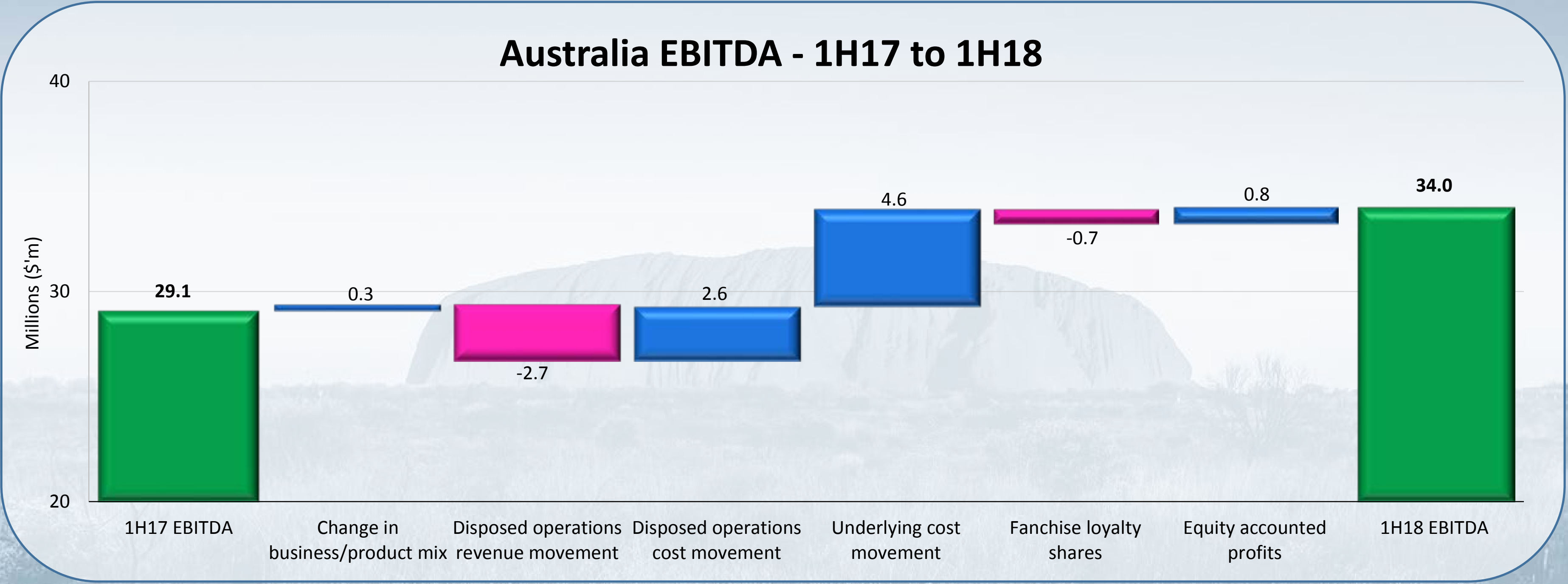
- **Australia segment** - TTV growth in competitive environment. Cost reduction initiatives delivering strong profit growth. Segment continues to focus on improving technology and automating processes.
- **New Zealand segment** - Solid performance with strong TTV growth from increased member numbers. Margins impacted by change in business unit mix and less company owned stores.
- **Rest of World segment** – Small segment with key businesses continuing to be restructured with a lower cost base to improve reported EBITDA and position for long term growth.

Australia Overview

	1H18 $m	1H17 $m	Change %
Total Transaction Value (TTV)	2,500.5	2,448.7	2.1%
Revenue	127.5	130.0	(1.9%)
Gross margin %	5.1%	5.3%	(0.2%)
Operating expenses	(94.4)	(101.0)	6.5%
Equity accounted profits	0.9	0.1	720.4%
EBITDA	34.0	29.1	16.9%
EBITDA margin	26.7%	22.4%	4.3%

- TTV growth with ticketing volume up 9% from prior year, partially offset by a continued decline in international airfare prices. Strong growth from key cruise and corporate sectors.
- Revenue decrease reflecting business unit mix change, full six month impact of the prior year disposed air representation business and continued competitive industry pressure.
- Costs continue to be well managed with a focus on new business initiatives and system automation.
- New agent incentive model introduced to better reward our agents for buying internal preferred product.
- Acquisition of 50% of MTA in December 16, contributed NPAT $0.8m in 1H18, better than expectations.
- Significant EBITDA improvement of $4.9m to $34.0m, with margin improvement of 4.3% to 26.7%

Australia EBITDA 1H18



- Underlying revenue has increased by $0.3m, increase airline ticketing volumes of 9% offset by margin pressure in competitive industry with lower airfare prices.
- The disposed operations include the air representation business (sold Jan 17) which had revenue of $1.9m and operating expenses of $1.5m in the prior corresponding period and 7 company owned stores, resulting in a revenue reduction of $0.8m and costs reduction of $1.1m compared with the corresponding period. As at 31 December 2017, there are no company owned stores in Australia.
- Business focus on right sizing our operational cost base, with reduction of $4.6m compared with prior year, with significant reductions in employee and operating expenses.

Australia Business Review

Retail franchise operations

- Member numbers steady at 1,718 from 1,715 at 30 June 2017.
- Rebranding to Helloworld Travel positive momentum continues with increasing brand awareness.
- Strong and dedicated agent network with increasing customer satisfaction levels.
- Minority shareholding acquired in the Hunter Travel Group, Helloworld Mackay and Helloworld Mt Pleasant
- Disposal of 7 wholly owned company stores to Hunter Travel Group, retaining 25% ownership.
- Winner of the 2017 Best Travel Agency Group at the National Travel Industry Awards.

Wholesale/Inbound operations

- New in-house product expansion including new brochures covering the Maldives, Disney Magic, UK/Europe, Weddings & Honeymoons and Unique Rail Journeys.
- AOT Hotels successfully re-tendered for the WoAG Accommodation Program Management contract for a further 3 years with further extension option of up to 3 years.
- 2017 National Travel Industry Award winners: Best Wholesaler Australia Product – Sunlover Holidays (second year running) and Best Wholesaler International Product – Qantas Holidays and Viva! Holidays.

Travel Management operations

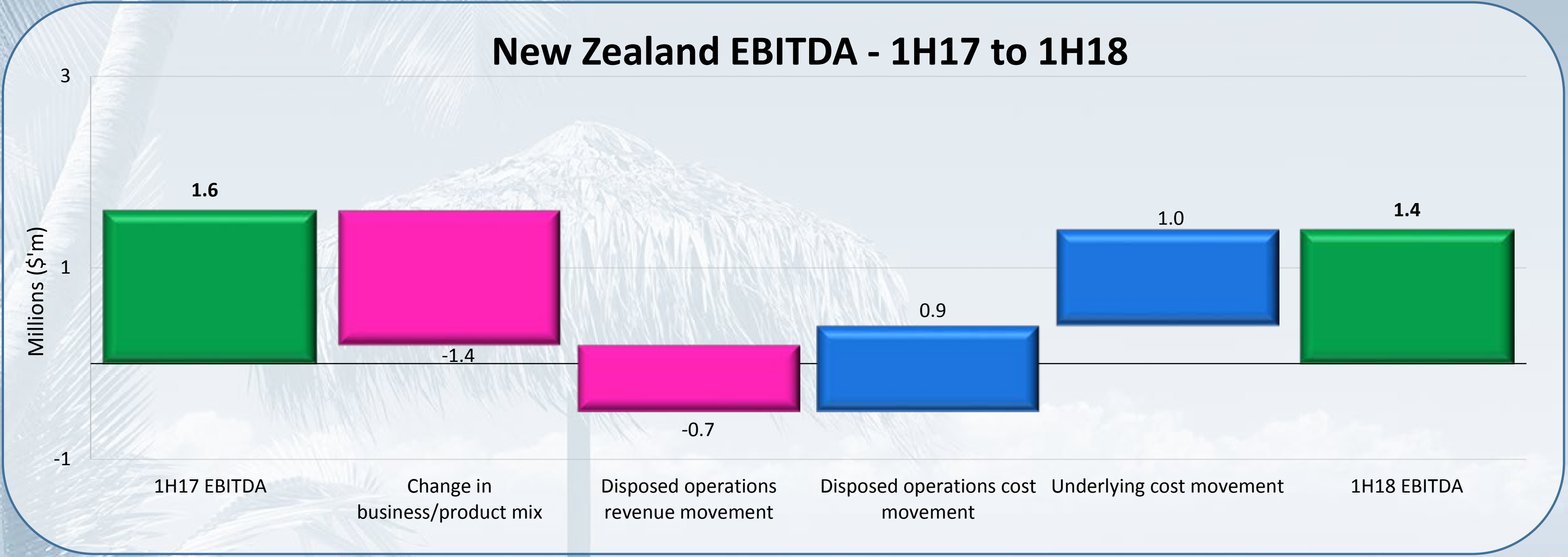
- Focused on investing in technologies to improve customer service offerings and productivity initiatives.
- Strong TTV and transaction growth from both corporate and government clients.
- Establishment of Inspire Travel Management, an indigenous joint venture between QBT and In Travel Group.

New Zealand Overview

	1H18 $m	1H17 $m	Change %
Total Transaction Value (TTV)	417.0	383.7	8.7%
Revenue	27.7	29.8	(7.1%)
Gross margin %	6.6%	7.8%	(1.2%)
Operating expenses	(26.3)	(28.2)	6.8%
EBITDA	1.4	1.6	(11.7%)
EBITDA margin	5.2%	5.4%	(0.2%)

- TTV growth driven by increased sales from larger retail member network, partially offset by lower TTV from corporate business (APX) following prior year lost corporate accounts and key new account Fonterra not commencing until near the end of the half year.
- Revenue impacted by business mix change including strong TTV growth in lower margin retail business from increased member network, reduced company owned stores, product mix change (increasing TTV in lower margin cruise products) and change of corporate accounts in the APX business.
- Operating costs well controlled with the decrease largely reflecting sale of company owned stores and lower business cost base.

New Zealand EBITDA 1H18



- Underlying revenue has decreased by $1.4m, representing business unit mix change (growth in lower margin air and cruise divisions) and loss of key clients in the APX corporate business.
- The disposed operations include reduction in company owned stores, resulting in a revenue reduction of $0.7m and costs reduction of $0.9m compared with the corresponding period. As at 31 December 2017, there are 5 (Dec 16: 8) company owned stores in New Zealand.
- Business focus continues to be on right sizing our operational cost base, with reduction of $1.0m compared with prior year, with significant reductions in employee and operating expenses.

New Zealand Business Review

Retail franchise operations

- Retail members grew to 347 members from 300 at 30 June 2017.
- Rebranded independent agent group, My Travel Group has grown by 33% since June 2017.
- Winner of the 2017 TAANZ NTIA awards for - Best Brand Retail Multi location and Best Travel Agency Manager, announced in September 2017.
- Disposed of unprofitable company owned stores. As at 31 December2017, only 5 company owned stores remain in the retail network.

Wholesale operations

- Winner of the 2017 TAANZ NTIA awards Best Wholesaler for the 4th year running, announced in September 2017.
- Go Holidays being well supported by Helloworld branded members.
- Strong growth in key cruise sector.

Travel Management operations

- APX challenges of strong competition and falling air fare prices impacting revenue.
- Major recent new account win (Fonterra) will increase future TTV.
- Developing cost synergies with Australian corporate business.

Rest of World (ROW) Overview

	1H18 $m	1H17 $m	Change %
Total Transaction Value (TTV)	50.4	57.7	(12.7%)
Revenue	9.7	11.5	(15.3%)
Gross margin %	19.3%	19.9%	(0.6%)
Operating expenses	(9.6)	(12.1)	20.7%
EBITDA	0.1	(0.6)	119.9%
EBITDA margin	1.3%	(5.4%)	6.7%

- TTV decrease of 12.7% reflecting refocus and restructure of Insider Journeys brand, refocus on profitable distribution channels and aggressive competitor pricing.
- Lower TTV with steady margins, resulted in lower segment revenue.
- Significant reduction in operating expenses to refocus and restructure cost base.
- EBITDA improvement of $0.7m to $0.1m.
- The segment has achieved break even performance for the half year, compared with prior year loss.
- Seek opportunities for growth and drive improved profitability.

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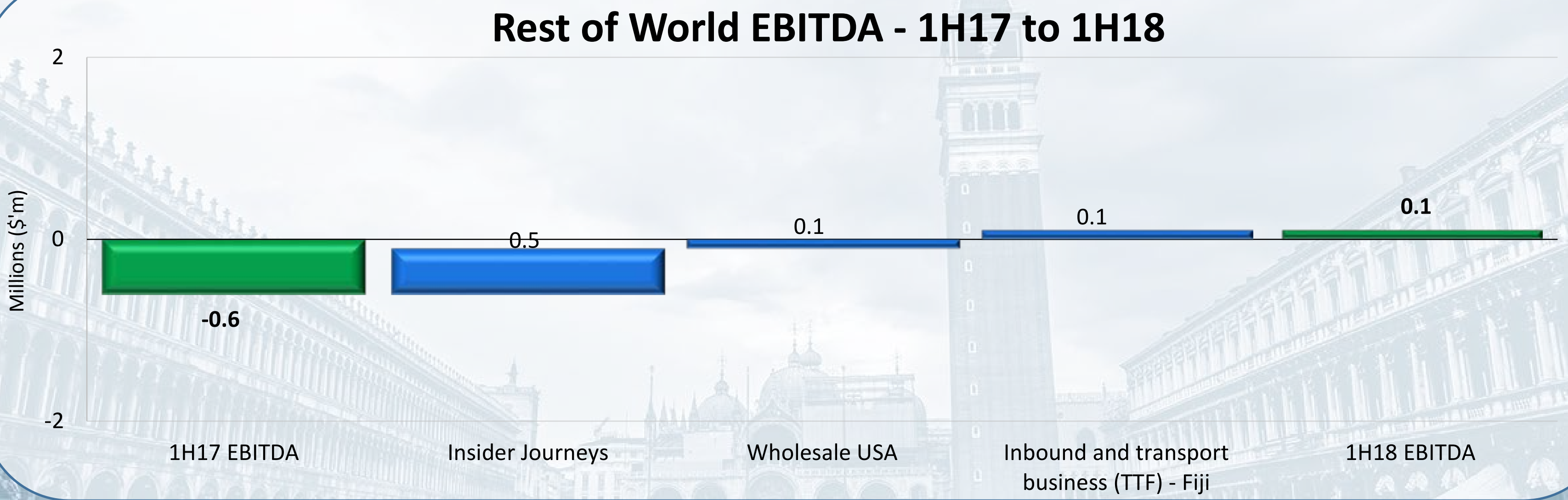
Rest of World (ROW) EBITDA 1H18



- Insider Journey's business improvement from a shift back to its traditional wholesale market and re-sized cost base.
- Our USA Wholesale and Fiji businesses have improved performance compared with prior year, led by improved productivity and cost structure.

Rest of World (ROW) Review

Insider Journeys

- Challenges of aggressive pricing and heavy discounting by competitors in key markets.
- Refocus of revenue distribution channel (more traditional wholesale)
- Restructure and right size cost base.
- Simplify and streamline procedures, including systems alignment with other internal wholesale brands.

Inbound and Transport businesses (Fiji)

- Decrease of cruise ship arrivals into Fiji in first half of the year has slowed business growth.
- Reduce and simplify operating cost base.

Wholesale USA

- Restructure to generate future TTV growth with increase in coverage and region exposure.
- Refocused marketing to drive profitable growth.

EBITDA to NPAT reconciliation

	1H18 $m	1H17 $m
EBITDA	35.5	30.1
Depreciation/ amortisation	(8.8)	(10.0)
Finance costs	(0.7)	(1.4)
Net profit before tax	26.0	18.7
Income tax expense	(7.9)	(5.8)
Net profit after tax	18.1	12.9

- Depreciation and amortisation expense successfully lowered from prior year following focused capital investment on technology enhancements and the implementation of strong management controls and discipline.
- Finance costs reduction due to new 5 year secured financing facility, signed in May 2017, with more favourable terms and conditions.
- Income tax increase reflecting higher trading profit. The income tax effective rate was 30.4%, compared with 30.8% in prior year.
- Strong net profit after tax and earnings per share growth, supporting interim dividend declared of 7.0 cents per share.

Liquidity and funding

	Dec-17 $m	Jun-17 $m	Dec-16 $m
Company cash	37.6	34.7	34.0
Client cash	122.4	163.4	132.5
Total cash	160.0	198.1	166.5
Drawn debt	(20.5)	(20.8)	(30.3)
Net cash	139.5	177.3	136.2

- Strong balance sheet, with general cash of $37.6m and external drawn debt of $20.5m.
- Total cash decrease since 30 June, reflects seasonality of client cash held, partially offset by cash generated from strong operating profits.
- Long term debt facility of $60.0m in place until the year 2022, with bank guarantees utilized of $10.0m and drawn debt of $20.5m. As a result, available headroom on existing facility of $29.5m as at 31 December 2017.

Cash conversion

	1H18 $m	1H17 $m	Change $m
EBITDA	35.5	30.1	5.4
Non cash and working capital movement	(4.7)	(6.1)	1.4
Finance costs paid	(0.7)	(1.2)	0.5
Income tax paid	(6.6)	(3.5)	(3.1)
Underlying operating cash flow	23.5	19.3	4.2
Net outflow from capex	(7.2)	(6.1)	(1.1)
Underlying free cash flow	16.3	13.2	3.1

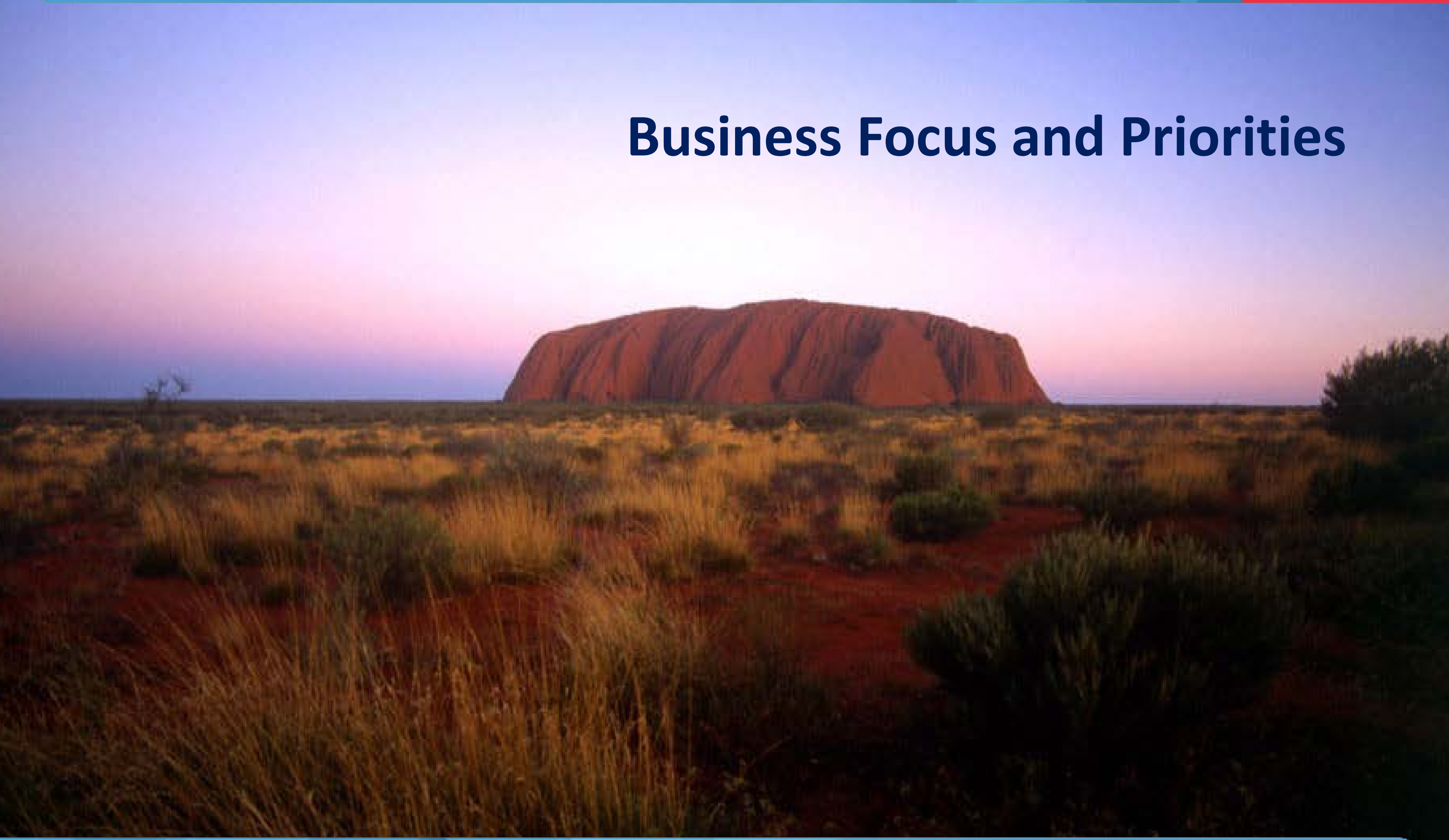
Reconciliation of reported operating cash flow

Underlying operating cash flow	23.5	19.3	4.2
Movement in client cash [1]	(40.9)	(43.9)	3.0
Statutory operating cash flow	(17.4)	(24.6)	7.2

[1] Represent the movement in client cash as at 31 December compared with 30 June due to business seasonality

- Free cash flow generated of $16.3m, $3.1m increase compared with prior year. The free cash flow supports the increase in the interim dividend and future business investment opportunities.
- The decline in working capital of $4.7m is $1.4m better than prior year, following improved working capital management.
- Income tax paid of $6.6m, $3.1m increase from prior year due to timing of tax paid on prior year increasing profits.
- Capital expenditure remains focused on key investment projects at $7.2m, $1.1m increase from prior year reflecting investment in technology and our people to develop enhanced future customer and travel automation solutions.

Business Focus and Priorities



Growth in member networks and numbers

BRANDED
AUSTRALIA AND NEW ZEALAND

INDEPENDENT
AUSTRALIA AND NEW ZEALAND

BRANDED MODEL
helloworld TRAVEL
THE TRAVEL PROFESSIONALS
helloworld

CORPORATE MODEL
helloworld BUSINESS TRAVEL

ASSOCIATE MODEL
a member of helloworld TRAVEL
helloworld TRAVEL | AMERICAN EXPRESS TRAVEL

INDEPENDENT MODEL
My TRAVEL GROUP

TRAVEL BROKERS MODEL
MTA mobile travel agents

TOTAL = DEC17: 2,065 JUN17: 2,015

- Total members have grown to 2,065, an increase of 50 from the 2,015 members at 30 June 17.
- The Australian network has growing brand recognition and a diversified value proposition.
- The New Zealand network has grown by 16% to 347 members, providing a strong trans-tasman distribution platform.
- As at 31 December 2017, Helloworld Travel has 5 wholly owned stores in New Zealand (30 June 17: AU 7 wholly owned stores and NZ 6 wholly owned stores).
- Incorporation of Magellan Travel will add a sixth independent group to our network. This is expected to be completed in February.

Continued Business Focus

Business Improvement

- Supporting margins
- Consolidating advantages
- Systems consolidation
- Premises consolidation

Agent Focus

- Improved remuneration model
- Co-investment strategy
- Aligned Clicks and Mortar strategy

Technology

- ResWorld
- helloworld.com.au
- Microsites & Apps
- Inbound systems development

Cost Control

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

Brand Awareness

- Brand evolution
- Key sponsorships
- NZ member growth
- Traditional and digital media mix

Our travel portfolio

HELLOWORLD TRAVEL LIMITED - BRAND PORTFOLIO

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Retail - Australia/NZ

- helloworld TRAVEL – THE TRAVEL PROFESSIONALS
- helloworld BUSINESS TRAVEL
- My TRAVEL GROUP
- a member of helloworld TRAVEL
- MTA mobile travel agents
- helloworld
- helloworld.com.au

Wholesale - US

- TRAVEL2
- QANTAS VACATIONS
- ISLANDS In The Sun

DMC - Australia, NZ, SPAC & Asia

- aotNZ
- aot inbound
- a.t.s. Pacific
- TRAVEL INDOCHINA
- eta experience tours australia

Corporate - Australia/NZ

- apx travel management
- QBT Business travel made simple
- aothotels.com.au – GOVERNMENT SERVICES DIVISION

Tour Operating

- TTF TOURIST TRANSPORT FIJI
- INSIDER JOURNEYS

Consolidation

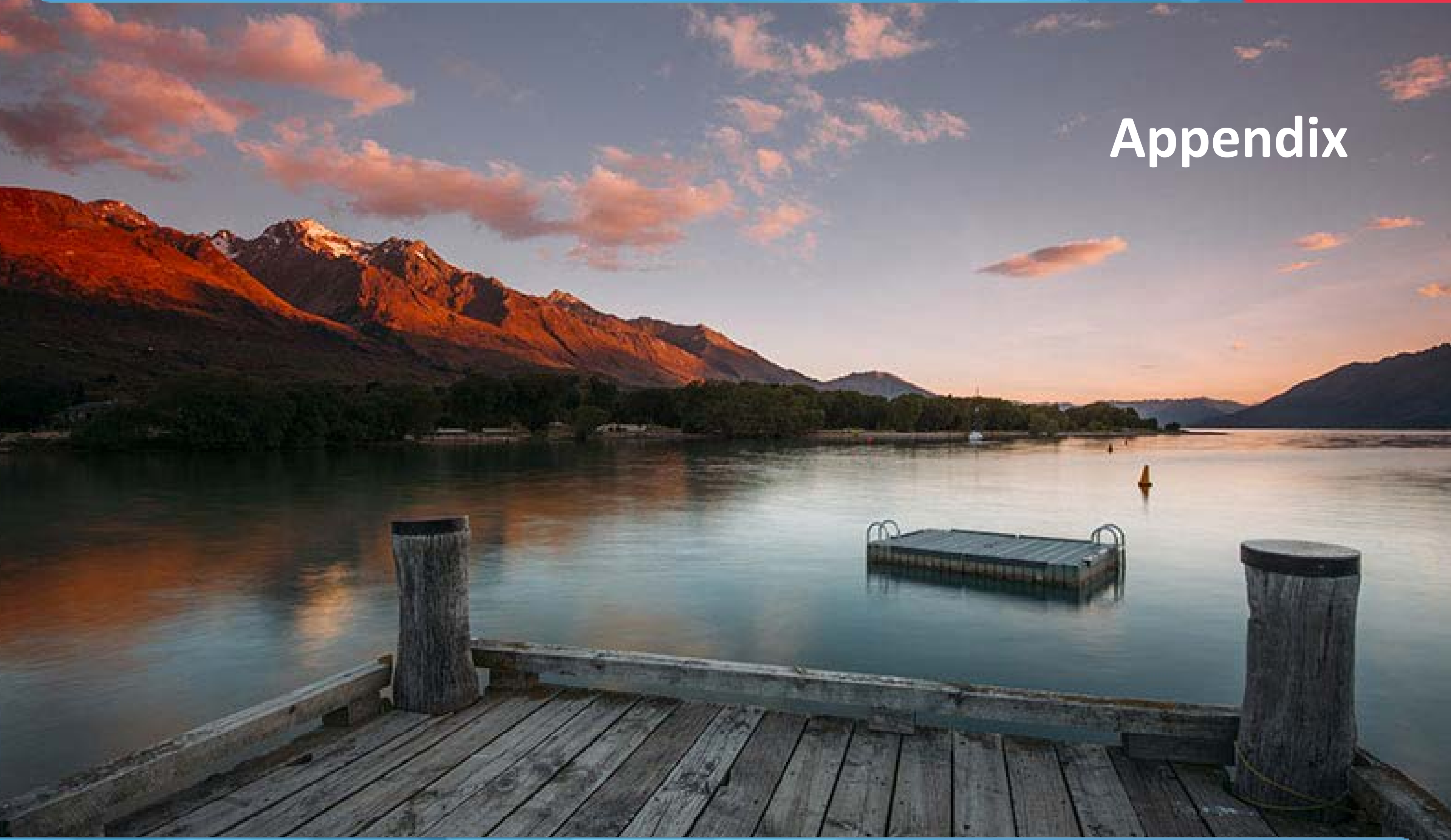
- air tickets
- smart tickets POWERED BY TICKETING WIZARD

Wholesale - Australia & NZ

- SevenOceans Cruising
- CRUISEFACTORY
- The CRUISE TEAM
- ReadyRooms For Business
- ReadyROOMS.COM Great deals ready when you are
- RAIL TICKETS
- need it now right price, right location, right now!
- sunlover HOLIDAYS
- GO HOLIDAYS!
- viva! holidays
- QANTAS HOLIDAYS
- Territory Discoveries .com

Conclusion

- We have delivered a strong performance for the half year, with growth in TTV, EBITDA and net profit after tax. In addition, EBITDA margin continues to grow across the business.
- Growing revenue and improving revenue margins remain a key focus as the business faces continued pressure from the competitive market, lower air fares and changes in product mix.
- Our cost base has been right sized over the last two years. We continue to drive productivity and cost efficiencies through the business.
- We have a solid foundation for future growth. As a result, we are well positioned to continue the positive momentum into the second half of FY18 and beyond.
- We have continued to deliver significant benefits to our member networks and have had very strong growth in our brand and brand recognition.
- We reaffirm our previous EBITDA guidance of $63.0m to $67.0m for the year ended 30 June 2018.



Appendix

TTV review – net vs gross position

$m	Australia		New Zealand		ROW		Consolidated	
	1H18	1H17	1H18	1H17	1H18	1H17	1H18	1H17
TTV - Net position	**2,351.1**	**2,288.1**	**340.7**	**316.0**	**50.4**	**57.7**	**2,742.2**	**2,661.9**
Recognition of retail sales through wholesale	126.9	138.3	76.3	67.7			203.2	206.0
Recognition of gross travel management sales	22.5	22.2					22.5	22.2
TTV - Gross position	**2,500.5**	**2,448.7**	**417.0**	**383.7**	**50.4**	**57.7**	**2,967.9**	**2,890.1**

At 30 June 2017, we changed the methodology of the TTV recorded from a net consolidated position, to a gross position that's reflects the level of effort in deriving our TTV. As a result, we have restated our TTV comparative for 1H17 to align with this revised methodology and to ensure that:

- TTV represents sales that result in revenue.
- Recognition of inter-divisional TTV.

Thank-you

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