



HELLOWORLD TRAVEL LIMITED RESULTS ANNOUNCEMENT

YEAR ENDED 30 JUNE 2018

Highlights for the year ended 30 June 2018

- Total Transaction Value (TTV) growth of 3.5% to \$6.1 billion, underpinned by strong air ticket sales volume growth.
- Revenue levels maintained despite the impact of lower airfares.
- Profit after tax of \$32.0 million, an increase of \$10.4 million (48.1%) compared with the prior year.
- Earnings before interest expense, tax, depreciation and amortisation (EBITDA) of \$65.2 million, an increase of \$10.0 million (18.2%) compared with the prior year.
- Basic earnings of 27.1 cents per share, an increase of 8.3 cents per share (44.1%) compared with the prior year.
- Final dividend declared of 11.0 cents per share, bringing the total dividends for FY18 to 18.0 cents per share fully franked, an increase of 28.6% compared with the prior year.
- Key highlights include:
 - Focus on profitable revenue streams and the continued management of the cost base through productivity initiatives delivering better outcomes for shareholders, agency members and personnel.
 - Strengthening of the retail network, with retail member numbers growing by 208 (10.3%) to 2,223 members as at 30 June 2018.
 - Re-brand to HelloWorld Travel successfully rolled out with improving brand awareness.
 - Increasing investment in technology solutions including key upgrades to ReadyRooms and ResWorld platforms, enhancing our leisure and corporate customer travel solutions.
 - Business acquisitions of the Magellan Travel Group, Flight Systems and Asia Escape Holidays were completed, complementing our existing businesses and expanding our future product offerings.

Summary of results

	30-Jun-18 \$m's	30-Jun-17 \$m's	Change %
TTV	6,077.0	5,872.3	3.5%
Revenue	326.9	326.8	0.0%
EBITDA	65.2	55.2	18.2%
Profit before income tax expense	46.2	31.0	48.9%
Profit after income tax expense	32.0	21.6	48.1%
	Cents per Share	Cents per Share	Change %
Basic earnings	27.1	18.8	44.1%
Diluted earnings	26.9	18.7	43.9%
Interim dividend - fully franked	7.0	6.0	16.7%
Final dividend - fully franked	11.0	8.0	37.5%

Dollar and percentage movements have been calculated using the financial statements which are rounded to thousands.



Results overview

Helloworld Travel Limited (Helloworld Travel) achieved a strong FY18 business performance delivering on key business and financial initiatives with significant growth in EBITDA and net profit after tax compared with the prior year, whilst expanding its future travel product offerings through strategic business acquisitions and increased investment in enhanced technology solutions.

TTV grew by 3.5% to \$6.1 billion primarily driven by strong air sales growth partially offset by the impact of lower international airfares. Revenue was in line with the prior year at \$326.9 million, despite the prior year including revenue from disposed airline representation business, disposed company owned stores and the restructured Insider Journeys business. On a like for like basis, excluding acquisitions and disposals, revenue increased by \$1.6 million or 0.5% representing higher transaction volumes and improved contracting outcomes across the business, partially offset by lower international airfares.

Revenue margin decreased by 0.2% to 5.4%, impacted by a change in business and product mix with TTV growth coming from lower margin air, cruise and corporate sectors. Improved contracting outcomes contributed to maintaining strong margins across each division.

Operating costs were significantly lower than the prior year reflecting the Group's continued focus on cost reduction initiatives and reduced costs from the disposed operations. The lower costs were partially offset by the inclusion of the cost base of the recent business acquisitions.

Helloworld Travel reported strong growth in profitability with EBITDA of \$65.2 million, an increase of 18.2% or \$10.0 million from the prior year. The profit before tax was \$46.2 million, an increase of 48.9% or \$15.2 million from the prior year. As a result, basic earnings per share grew by 44.1% to 27.1 cents, which enabled the declaration of a final dividend of 11.0 cents per share to shareholders. This brings the total dividends to 18.0 cents per share, an increase of 4.0 cents per share or 28.6% from the prior year.

Segment overview

The Australian segment generated TTV of \$5,078.5 million in FY18, representing an increase of 3.5% compared with the prior year. EBITDA for the Australian segment was \$58.0 million, representing growth of \$7.7 million or 15.2% compared with the prior year. The New Zealand segment generated TTV of \$901.8 million in FY18, an increase of 6.2% compared with the prior year. EBITDA for the New Zealand segment was \$6.9 million, representing growth of \$0.6 million or 10.3%. The Rest of World segment generated TTV of \$96.8 million in FY18, a decrease of 15.5% compared with the prior year. The Rest of World segment generated EBITDA of \$0.4 million, a significant improvement in performance from the prior year loss of \$1.4 million.

The Australian segment reported solid growth in TTV compared with the prior year due to the recent business acquisitions and strong air ticket sales, partially offset by lower international airfares. The New Zealand TTV increased from the prior year due to the enlarged retail member network, partially offset by reduced company owned stores and lower airfares. The Rest of World TTV decrease was mainly due to the restructured Insider Journeys business.

All segments have reported strong growth in EBITDA compared with the prior year. EBITDA margin as a percentage of revenue continues to improve across all segments as the Group benefits from its focus on profitable revenue streams and cost control to right size the cost base, which is evidenced by significant reductions in employee and operating expenses compared with the prior year.

Business operations overview

The Helloworld Travel retail network grew to 2,223 members across Australia and New Zealand as at 30 June 2018, an increase of 208 members since 30 June 2017. The increase in members is led by growth in Helloworld branded members, growth in MTA's home based agent network in Australia, the expansion of the My Travel Group and the acquisition of the Magellan Travel Group in Australia.



The Group rebranded from Helloworld to Helloworld Travel in Australia resulting in a new logo and associated marketing initiatives being successfully rolled out across the network during FY18. Helloworld Travel has made significant investment in more focused consumer marketing, advertising and sponsorship to strategically accelerate Helloworld Travel's brand presence. The strategy has proved successful with prompted and unprompted consumer brand awareness for the Helloworld Travel brand growing significantly.

Helloworld Travel continues to invest in its internally developed technology to provide enhanced travel solutions and experiences for its member network, partners and customers. In FY18, these developments included the successful upgrade of wholesale agent platform ReadyRooms, development of corporate customer portal ReadyRooms for Business, the ongoing rapid enhancement of the retail consultant interface ResWorld agency portal, development of Air Tickets Shop & Book technology and the acquisition of web-based flight booking technologies provider Flight Systems.

The wholesale and inbound businesses are continuing to deliver on key customer and supplier initiatives. In FY18, an expanded wholesale product range for our retailers to sell was introduced including new products covering the Maldives, Disney Magic, Weddings & Honeymoons and Unique Rail Journeys. Helloworld Travel benefited from the growth in the cruise market by the successful integration of Seven Ocean Cruising and The Cruise Team businesses acquired in the prior year.

The inbound business is experiencing strong demand from traditional markets including UK, Europe and United States and increasing demand from newer markets in Asia. Inbound China Free Independent Traveller (FIT) platforms performed strongly in FY18 and is expected to further grow in FY19.

The corporate businesses performed strongly, delivering on key customer outcomes. AOT Hotels successfully re-rendered for the Whole of Australia Government contract for accommodation program management, securing the contract for a period of 3 years with further extension options. QBT established a joint venture, Inspire Travel Management, which will highlight the best practice in the industry in the areas of Indigenous employment and procurement outcomes and provides a point of difference to the corporate market. APX in New Zealand won the tender for the corporate travel business of Fonterra and is well advanced in its integration with QBT to provide a streamlined trans-Tasman corporate travel solution for customers.

The Australian businesses were well recognised at the July 2018 National Travel Industry Awards, with Helloworld Business Travel awarded the Best Non-Branded Travel Agency Group, MTA awarded Best Travel Broker Network, Qantas Holidays / Viva Holidays awarded Best Wholesaler – Australian Product and Air Tickets awarded Best Agency Support Service. In New Zealand, the wholesale business, GO Holidays, won the award for Best Wholesale Brand for the fourth consecutive year at the TAANZ NTIA Awards held in September 2017.

Business acquisition strategy

Helloworld Travel has made a number of strategic investments during the current year, amounting to \$40.0 million for businesses acquired and \$2.2 million for other equity investments which have been funded through cash and existing debt facilities of \$29.5 million and share issues of \$12.7 million. The acquisitions complement the Group's existing businesses, expanding future product offerings to an increased network of agents, suppliers and customers.

The acquisitions included:

- Magellan Travel Group is an Australian independent agency network with over 120 members. The Magellan Travel Group is now the sixth retail network of Helloworld Travel and will consolidate Helloworld Travel's position in the retail and corporate travel agency sector.
- Flight Systems is a provider of web-based flight booking technologies and operator of the Skiddoo website. Flight Systems will strengthen the Helloworld Travel business technology suite in the corporate and leisure operations.
- Asia Escape Holidays is an outbound travel wholesaler based in Australia, specialising in destinations throughout Asia, the Indian Ocean and the Pacific. This business will complement the existing Helloworld Travel wholesale range including the ability to offer a greater range of mid haul all-inclusive packages.



Liquidity and funding

As at 30 June 2018, the Group has total cash on hand of \$203.5 million consisting of client funds of \$161.5 million and general cash of \$42.0 million. As at 30 June 2018, the Group has external borrowings of \$41.5 million (30 June 2017: \$20.4 million) with available headroom in its debt facilities of \$7.8 million (30 June 2017: \$28.4 million). The level of external debt increased as a result of the acquisitions during the current year. Helloworld Travel's balance sheet remains strong with relatively low overall debt compared to the cash balance, total assets and market capitalisation.

Helloworld Travel has generated strong operating cash flows from trading activities of \$41.3 million, an increase of \$12.3 million compared with the prior year led by growth in trading performance. The capital expenditure (excluding investments) amounted to \$17.7 million, an increase of \$7.2 million as a result of the rebranding to Helloworld Travel across the network and focused internal development on technology solutions. Capital expenditure continues to be tightly controlled and is subject to significant due diligence before any expenditure is undertaken. Free cash flow, representing reported operating cash flow less capital expenditure, of \$23.6 million (30 June 2017: \$18.5 million) generated in FY18, enables the Group to invest in the future and pay dividends to shareholders.

Dividend

The Board has resolved that the company will pay a final dividend of 11.0 cents per share. The dividend is to be paid on 18 September 2018. This brings the total dividends declared, fully franked, for the current year to 18.0 cents per share compared with 14.0 cents per share in the prior year.

Yearly trend analysis

Helloworld Travel is focused on growing revenue margins, cost reduction and extracting further efficiencies in its business to improve profitability. The Group completed a number of strategic business acquisitions during the second half of FY18 with the full year benefits to be reflected in the FY19 results

	2018 \$m's	2017 \$m's	2016 \$m's	2015 \$m's	2014 \$m's
Revenue	326.9	326.8	300.5	279.2	291.7
EBITDA (excluding impairment FY15/FY14)	65.2	55.2	25.3	24.1	40.6
Net profit / (loss) after income tax expense	32.0	21.6	1.7	(201.1)	(63.2)
EBITDA margin (%)	20.0%	16.9%	8.4%	8.6%	13.9%
Basic earnings per share (cents)	27.1	18.8	1.9	(274.0)	(86.3)
Total dividends declared per share (cents)	18.0	14.0	2.0	-	-

Dollar and percentage movements have been calculated using the financial statements which are rounded to thousands.

For the third consecutive year, key metrics including EBITDA, net profit after tax and earnings per share have increased significantly. In FY18, Helloworld Travel continued to grow its business while successfully reducing costs to resize the cost base, supported by enhanced technology solutions and business process efficiencies. This has led to increased shareholder returns via dividends and improved share price.



Outlook

The Travel Industry continues to grow strongly in all segments in which the Group operates. Economic growth both domestically and globally, is expected to continue and this will have a positive effect on the travel markets in which we operate. International tourist arrivals to our markets have consistently outpaced global economic growth and all indications are that this trend will continue. The number of outbound trips is also expected to continue to grow. From a corporate travel perspective, improved economic performance and stronger business confidence will continue to drive corporate travel activity.

The Group's focus in the 2019 financial year will be on growing revenue and margins and extracting further efficiencies in its operations and cost base to improve key profitability margin metrics.

During the current year, Helloworld Travel has made a number of strategic acquisitions. The full year benefit of these acquisitions will be reflected in FY19 and are expected to increase shareholder returns in future financial years.

Helloworld Travel is focused on delivering for shareholders, agents, partners and consumers. Helloworld Travel's priority is to future proof our agents and the business through technology, training, product and profile supported by our omni-channel strategy.

The Company has a strong balance sheet, a stable network of high performing agents and a suite of enhanced digital solutions for our customers. As a result, Helloworld Travel is well positioned for sustainable long term growth.

Helloworld Travel has provided earning guidance for FY19 that its EBITDA will be in the range of \$76.0 million to \$80.0 million. The guidance is subject to no material and unexpected deterioration in operating conditions or material unforeseen adverse events.

About Helloworld Travel Limited

- Helloworld Travel Limited (ASX: HLO) is a leading Australian & New Zealand travel distribution company, comprising retail travel franchise operations, destination management services (inbound), air ticket consolidation, wholesale, corporate and online operations. This includes "Helloworld Travel", Australia's largest network of franchised travel agents, as well as our Corporate, Associate, Affiliate and Travel Broker networks, Qantas Holidays, Go Holidays in New Zealand, AOT Inbound, ATS Pacific, QBT, Sunlover Holidays and Insider Journeys
- "Helloworld Travel" is a nationwide network of independently owned and operated retail travel agencies offering Australia and New Zealand outstanding service, and the best value, tailor-made leisure and corporate travel experiences
- HLO has approximately 2000 staff located in Australia, New Zealand, Fiji, the USA, South East Asia, India and UK/Europe
- Helloworld Travel is the proud major sponsor of Volleyball Australia and the Helloworld Travel Volleyroos men's and women's national teams.

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