Helloworld Limited results announcement

Half year ended 31 December 2016

HIGHLIGHTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

- Total Transaction Value (TTV) of $2.7 billion
- Earnings before interest, tax, depreciation and amortisation (EBITDA) of $30.1m, an increase of $22.0m compared with prior comparative period
- Profit before tax of $18.7m, an increase of $19.7m compared with prior comparative period
- Basic earnings of 11.5 cents per share
- Fully franked interim dividend of 6.0 cents per share
- Positive momentum in the business continues with key achievements including:
    - EBITDA growth for all business segments against prior comparative period on both reported and pro-forma basis
    - Strengthened and diversified retail network via acquisition of 50% of Mobile Travel Agents (MTA) in Australia and the addition of World Travellers Group (WTG) in New Zealand
    - On track to achieve $17.1m of merger synergies and annual cost savings by 30 June 2017
    - Relaunch of Helloword.com.au site and implementation of Resworld consultant portal
    - Business integration well advanced to simplify and streamline our engagement with customers, agents and suppliers

SUMMARY OF RESULTS

Helloworld Limited (ASX: HLO) today announced its results for the half year ended 31 Dec 2016 (1H17)

	31-Dec-16 $m's	31-Dec-15 $m's	Change %	31-Dec-15 Pro-forma [1] $m's
TTV	2,661.9	2,606.0	2.1%	2,810.2
Revenue	171.2	139.0	23.2%	172.2
EBITDA	30.1	8.1	270.3%	19.9
Profit/(loss) before tax	18.7	(1.0)	1,925.8%	9.1
Profit/(loss) after tax	12.9	(1.7)	880.1%	6.0

	Cents per Share	Cents per Share	Change %	Cents per Share
Basic earnings/(loss) per share	11.5	(2.3)	609.8%	8.2
Diluted earnings/(loss) per share	11.3	(2.3)	603.6%	8.2
Prior year final dividend per share	2.0	-	-	-
Interim dividend per share	6.0	-	-	-

[1] Refer to Appendix 1 for reconciliation of 31 December 2015 Pro-forma results, we have restated our comparative results to reflect the inclusion of the AOT group, adjusted for one off items relating to GST recovery and merger costs with the AOT Group.

The 1H17 financial result has shown a strong business performance, building on the period of significant change in FY16 following the merger with the AOT Group on 1 February 2016. We have delivered a significant turnaround from the reported loss before tax in 1H16 of $(1.0)m, whilst integrating the Helloworld and AOT businesses, to deliver a profit before tax of $18.7m.

Growth in EBITDA was achieved in all business segments on both a reported and pro-forma basis. In addition, shared services costs have been restructured with a strong focus on continual cost control.

Our retail network has increased to over 2,000 members across Australia and New Zealand, reflecting the stabilisation of our pre-existing network and the addition of MTA in Australia and WTG in New Zealand. We continue to strengthen our relationship with our member networks, as we now provide opportunities to invest in each other's businesses and ensure we are aligned to achieving our objective of providing enhanced customer service experiences across our business.

We have delivered on technological enhancements following the re-launch of helloword.com.au site in August 2016 and implementation of the Resworld agency portal in September 2016. This is designed to align our bricks and mortar franchise network distribution with our on-line distribution platforms, creating an integrated travel solution.

In our wholesale/inbound division, we have integrated the existing Helloworld business with AOT, to benefit from economies of scale as we continuously expand our product range, while consolidating our overall cost base.

In our corporate travel management division, we have experienced strong growth from the addition of new clients, leveraging our strategic relationship with large technology partners to deliver enhanced business solutions to our corporate clients.

From a cost perspective, we actioned $14.1m of the identified $17.1m merger synergies and annual costs savings, with the remaining balance of $3.0m to be delivered by 30 June 2017.

During the first half we repaid $17.0m in debt, raised $28.5m via a share placement to institutional investors and purchased 50% of the mobile broker network MTA for $14.0m.

And finally, we paid our first dividend since 2013 of 2.0 cents per share in September 2016 relating to the final dividend for the year ended 30 June 2016. Our strong 1H17 result has enabled us to declare an interim fully franked dividend for the half year of 6.0 cents per share.

Segment Performance

Retail Franchise Operations

Retail franchise operations generated TTV of $2.0 billion for the half year ended 31 December 2016, representing a decrease of 4.9% compared to the prior year. Revenue decreased by 5.4% to $74.6m with operating costs decreasing by 10.0% to $54.6m. The revenue margin for the half year remained steady at 3.7%. The retail franchise operations generated divisional EBITDA before shared services of $20.0m which is a 9.9% increase on the prior year result of $18.2m. After the allocation of shared service net costs, the segment net profit amounted to $14.3m.

Despite the challenges of falling airfare prices and strong competition, the retail franchise operations has performed well in the first half of the year. Total transaction numbers has shown growth, highlighting consumer demand remains strong. Our total retail and corporate member numbers have grown to 2,049 members, an increase of 383 since 30 June 2016 led by the strategic acquisition of 50% of MTA in Australia and addition of WTG in New Zealand. The relaunch of the helloworld.com.au site and new technologies developments such as Resworld provide a strong digital platform that compliments the traditional bricks and mortar businesses and have been well received by consumers, agents and suppliers. Our marketing and advertising costs have declined as we transition our marketing spend to more traditional marketing forms and right size our cost base.

Wholesale/Inbound

Wholesale/Inbound saw TTV increase 60.1% against the prior comparative period from $314.8m to $504.0m, with divisional EBITDA before shared services for the segment being $20.3m, a significant increase on the 1st half 2016 which was a break even result. The increase reflects the inclusion of the AOT Group and improved operating performance of the enlarged business. After the allocation of shared service net costs, the segment net profit amounted to $12.4m.

The revenue margin for the six months ended 31 December 2016 was 13.7% compared with the prior comparative period of 11.1%, reflecting the higher margin derived from the AOT businesses not included in the prior year and improved product offerings in the underlying Helloworld businesses.

Travel Management

TTV attributable to travel management increased by 6.2% to $392.9m for the half year ended 31 December 2016. Travel management generated revenue of $25.9m compared with $23.4m for the prior comparative period. The appointment of QBT as the provider of travel management services to the Northern Territory Government and PwC last year has been the key driver of the segment's revenue increase this six months. The revenue margin has increased from 6.3% to 6.6%.

Our costs remain well controlled in this division with improved efficiencies and initiatives, leading to divisional EBITDA before shared services of $5.4m which is a 54.3% increase on the prior comparative period result of $3.5m. After the allocation of shared service net costs, the segment net profit amounted to $3.4m.

The segment is continuing to invest in innovative technology in order to drive efficiency and automation through the business.

Liquidity and Funding

Helloworld's balance sheet remains strong with a positive net cash position. The total cash on hand at 31 December 2016 was $166.5m consisting of client funds of $132.5m and general cash of $34.0m. The client cash has decreased significantly from June in line with business seasonality of client travel.

From an equity perspective, we issued 7.0m new shares at $4.25 via a share placement to institutional investors in October 2016. The funds raised after capital raising costs were used to fund our investment in MTA and repay long term debt.

From a debt perspective, total long term debt was $30.3m as at 31 December 2016, a decrease from $47.5m at 30 June 2016. Debt has decreased mainly reflecting the $17.0m repayment in November funded from the share capital issue and working capital. Our financing facilities remain in place until April 2019.

Dividend

The Board has resolved that the company will pay an interim dividend of 6.0 cents per share. The dividend is to be paid on 20 March 2017. Helloworld will look to build on this interim dividend for the year ended 30 June 2017, balancing the needs of our shareholders with our capital structure.

Outlook

Helloworld confirms its previous EBITDA market guidance for the year ending 30 June 2017 of $47m to $51m.

The full year outlook is positive. Revenue margins are improving and we expect to see some further margin improvement in the second half. Helloworld is benefiting from its cost control initiatives and is well advanced on the delivery of all identified merger synergies and annual cost savings. Business fundamentals are heading in the right direction in all our key market segments with demand for our integrated service offering continuing to develop and grow.

About Helloworld Limited

- Helloworld 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",* 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"* 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 over 1900 staff located in Australia, New Zealand, Fiji, the USA, South East Asia, India and UK/Europe
- Helloworld is the proud major sponsor of:
    - Volleyball Australia and the ***helloworld*** **Volleyroos** men's and women's national teams;
    - Basketball Australia and the ***helloworld Boomers***, the Australian Men's Basketball team;
- Helloworld is a major sponsor of the National Basketball League (NBL)
- Helloworld is a major sponsor of the Carlton Football Club including "Carlton in Business"

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APPENDIX 1 – Reconciliation of 1H16 Pro-forma results

$m's	Statutory Reported Jul-Dec 15	AOT Reported [4] Jul-Dec 15	One-off Costs [5]	Pro-forma [3] 1H16
TTV [1]	**2,606.0**	**204.2**	**-**	**2,810.2**
Revenue	139.0	33.2	-	172.2
Operating expenses	(130.8)	(21.8)	0.3	(152.3)
EBITDA [2]	**8.1**	**11.4**	**0.3**	**19.9**
Depreciation/amortisation	(7.6)	(1.4)	-	(9.0)
Interest	(1.6)	(0.2)	-	(1.8)
Profit/(loss) before tax	**(1.0)**	**9.8**	**0.3**	**9.1**
Tax expense	(0.7)	(2.9)	0.5	(3.1)
Profit/(loss) after tax	**(1.7)**	**6.9**	**0.8**	**6.0**

[1] 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 Helloworld Group ("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 Group cash inflows as some transactions are settled directly between the customer and the supplier.

[2] Earnings before interest, tax, depreciation and amortisation (EBITDA) is the key internal metric to assess the performance of the operating segments and the Group. EBITDA is a financial measure which is not prescribed by the Australia Accounting Standards.

[3] Pro-forma results represents the revised first half 2016 Helloworld performance, incorporating the trading result of the AOT Group, adjusted for one off items relating to GST recovery and merger costs with the AOT Group.

[4] AOT reported stand-alone results for the half year ended 31 Dec 2015.

[5] One off items in prior corresponding half year, relating to merger costs with the AOT Group and credit received on GST claim.