

HELLOWORLD TRAVEL LIMITED RESULTS ANNOUNCEMENT

HALF YEAR ENDED 31 DECEMBER 2018



Half year highlights

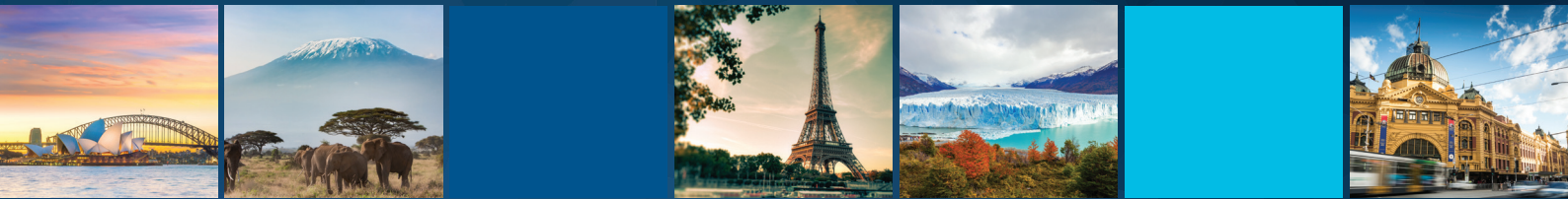
- Total Transaction Value (TTV) growth of 6.1% to \$3.2 billion, underpinned by business expansion.
- Revenue of \$182.2 million, an increase of \$13.1 million (7.7%), led by six month impact of the FY18 acquisitions and improving revenue margins.
- Earnings before interest expense, tax, depreciation and amortisation (EBITDA) of \$42.0 million, an increase of \$2.2 million (5.6%) compared with the prior corresponding period.
- Basic earnings of 18.2 cents per share, an increase of 0.5 cents per share (2.8%) compared with the prior corresponding period.
- Rewarding shareholders with an interim dividend declared of 8.0 cents per share, fully franked.
- The half year focus on business expansion includes the following key achievements, which will drive profitable growth in future financial years:
 - Integration of prior year business acquisitions undertaken including the Magellan Travel Group, Flight Systems Group and Asia Escape Holidays, as well as the current year acquisition of the Show Group business that complements the existing corporate businesses.
 - Capital expenditure increase on enhanced technology solutions of the future, for both the leisure and corporate travel customers.
 - Growth in the Trans-Tasman retail network to 2,233 members as at 31 December 2018.
 - New corporate account tender wins in the current half year including the South Australian Government.
 - New marketing initiatives highlighted by the launch of the Helloworld TV show and first in market platinum media partnership with News Corporation.
 - Completing the roll out of the Helloworld Travel rebranding initiative for the Australian retail business, the New Zealand rebrand to be undertaken in the second half of FY19.

Summary of results

	31-Dec-18 \$m's	31-Dec-17 ⁽¹⁾ \$m's	Change ⁽²⁾ %
TTV	3,152.9	2,971.0	6.1%
Revenue	182.2	169.1	7.7%
EBITDA	42.0	39.8	5.6%
Profit before income tax expense	31.5	30.3	4.2%
Profit after income tax expense	21.9	20.8	5.4%
	Cents per Share	Cents per Share	Change %
Basic earnings	18.2	17.7	2.8%
Diluted earnings	18.1	17.6	2.8%
Prior year final dividend - fully franked, paid in current period	11.0	8.0	37.5%
Interim dividend - fully franked	8.0	7.0	14.3%

(1) Comparative financial numbers have changed to align with the adoption of the new revenue accounting standard, refer to the half year financial report for further details.

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



Results overview

TTV grew by 6.1% to \$3.153 billion led by the business acquisitions undertaken in the second half of the prior year including the Magellan Travel Group, Flight Systems Group and Asia Escape Holidays, which was partially offset by the rationalisation of unprofitable TTV from certain overseas online travel agents (OTAs) as the business continues its focus on profitable revenue growth initiatives.

Revenue increased by 7.7% to \$182.2 million with the inclusion of revenue from the business acquisitions partially offset by reduced company owned stores. Excluding this, on a like for like basis, underlying revenue was in line with the prior corresponding period.

The underlying revenue growth in the Australia segment was a result of better contracting outcomes, the addition of new retail agent members and new corporate account wins. This underlying revenue increase was offset by the lower second quarter trading of the Australian inbound business led by the timing of inbound customers travel and some movements in client requirements. In addition, the New Zealand and Rest of World segments revenue reduced as Helloworld Travel continues to rationalise these businesses for improved future profitability.

Revenue margin increased by 0.1% to 5.8% led by improved contracting outcomes in the retail divisions and higher margins in the Air Tickets business due to the continued focus on profitable revenue streams, partially offset by a change in business unit mix and product mix in the inbound and wholesale businesses.

Operating costs increased by 8.4% to \$141.2 million due to higher variable selling expenses associated with the retail network revenue growth and the inclusion of the fixed operating cost base from the FY18 business acquisitions. In addition, Helloworld Travel has increased its advertising and marketing expenditure with the launch of the Helloworld television program on the Australian free to air Channel Nine network and a new strategic partnership with News Corporation. The cost increase was partially offset by continual cost reduction initiatives with the objective of continuing past annual financial year trends of increasing EBITDA margin return ratios into FY20.

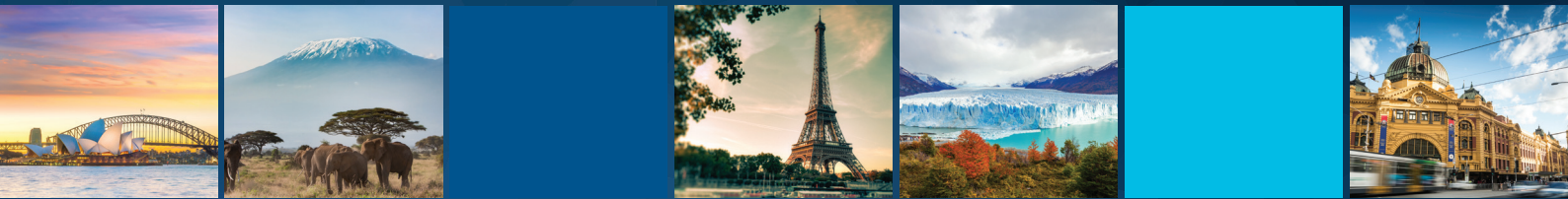
Helloworld Travel delivered EBITDA growth of 5.6% or \$2.2 million to \$42.0 million for the half year ended 31 December 2018. The profit after tax was \$21.9 million, an increase of 5.4% or \$1.1 million from the prior corresponding period, leading to basic earnings of 18.2 cents per share, an increase of 2.8% compared with the prior corresponding period.

Helloworld Travel maintains a strong balance sheet that supports future business expansion, while returning surplus funds to shareholders. As a result, Helloworld Travel has declared a fully franked interim dividend of 8.0 cents per share.

Segment overview

The Australian segment generated TTV of \$2,724.8 million, an increase of 7.9% led by strong growth in the retail, wholesale and travel management divisions. Revenue grew by 11.4% driven by revenue from the business acquisitions not in the prior corresponding period, improved margins in the retail division with better contracting outcomes and a focus on profitable revenue streams. In addition, the travel management division delivered a strong performance underpinned by growth from existing corporate customers and the addition of new corporate accounts. The revenue growth was partially offset by lower inbound travel activity during the second quarter of FY19. EBITDA for the Australian segment was \$36.5 million, an improvement of \$0.7 million or 2.0% compared with the prior corresponding period led by the business expansion initiatives with continued focus on revenue margin and cost control.

The New Zealand segment generated TTV of \$385.1 million, a decrease of 2.6% due to a reduction of company owned stores. Excluding this, underlying revenue is consistent with the prior corresponding period driven by the strong growth in the retail division from improved contracting outcomes and the enlarged retail member network, offset by lower wholesale trading and reduced volumes in the travel management business as a result of the rationalisation of these businesses. EBITDA for the New Zealand segment was \$5.8 million, strong growth of \$2.0 million or 53.2% compared with the prior corresponding period, demonstrating Helloworld Travel's focus on business expansion and cost control initiatives to ensure its businesses are right sized for long term financial success.



The Rest of World segment generated TTV of \$43.0 million, a decrease of 14.6% compared with the prior corresponding period. The segment generated an EBITDA loss of \$0.3 million, a decrease of \$0.5 million compared with the prior corresponding period. Helloworld Travel continues to rationalise this business where appropriate to improve future profitability.

Business operations overview

During the current half year, Helloworld Travel expanded its business scale with the integration of the FY18 acquisitions including the Magellan Travel Group, Flight Systems Group and Asia Escape Holidays, the acquisition of the Show Group business in December 2018, the increased investment in technology to improve the automation of our travel solutions product offering to our customers and new marketing initiatives to improve brand recognition. The business expansion will drive profitable revenue growth in future financial years and provide enhanced travel solutions to our member network, partners and customers.

The Helloworld Travel retail network grew to 2,233 members as at 31 December 2018, a net increase of 10 members during the current half year. The retail business is focused on increased demand and better agency efficiencies with enhanced technology solutions (ResWorld), improved product offerings and increased network uptake of preferred product sold.

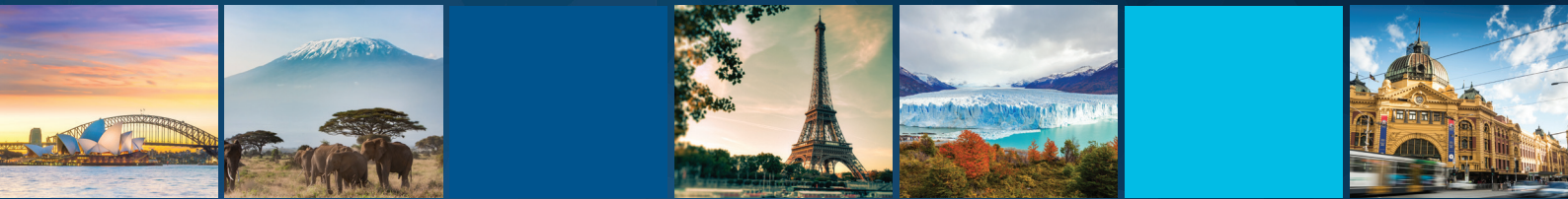
The wholesale business continues to expand its product offering with the relaunch of its wholesale agent platform ReadyRooms and implementation of new cruise platforms due in the first quarter of FY20. In addition, the wholesale business rolled out impulse buying packages in print and digital media, expanding the product and destination range to meet customer demand. The inbound business has clients in 74 countries with long term agent partnerships in all main markets including the United Kingdom, USA, Europe and Asia. The business is adapting to the demographic shift in China and is well placed to service its agent requirements with its unique technology platforms, connections and comprehensive product range.

The travel management business provides service and expertise along with advanced technological suites to deliver on key customer outcomes. In December, QBT was appointed the sole provider of travel management services for the South Australian Government, strengthening its position in the government travel management sector. In New Zealand, the APX business has successfully added new accounts such as the Public Service Association. Our investment in Inspire Travel Management, an indigenous travel management company, has also started to gain traction having already won several new accounts.

On 20 December 2018, Helloworld Travel acquired 100% of the Show Group business for a total consideration of \$7.0 million. Show Group is a leading travel management specialist and freight logistics organisation serving the entertainment, film, arts, fashion, corporate and sporting industries. The acquisition complements Helloworld Travel's growing travel management business, expanding into the specialised travel and logistics segment with additional expertise, knowledge and capability.

Helloworld Travel has increased its capital expenditure on its network and technology to \$12.7 million, an increase of \$5.5 million compared with the prior corresponding period. In the current half year, the technology developments include an upgraded retail ResWorld mid office system, white-labelled agent websites, upgraded Air Tickets booking system, relaunch of wholesale agent platform ReadyRooms and new cruise platforms, enhancement of corporate customer interface solutions, improved mobile booking solutions and the deployment of the Amadeus 'Cytric' product in the QBT brand. This expenditure will 'future proof' our business and take advantage of technologies which will ultimately deliver more efficient operations and TTV, revenue and margin growth.

The Helloworld Travel brand recognition and awareness continues to improve, underpinned by large scale marketing investments and strategic partnerships, including a first in market platinum partnership with News Corporation and a partnership with the Nine Network on the Helloworld television program in Australia. The Helloworld television show has delivered strong ratings and is hosted by some of Australia's most well-known presenters, providing a unique platform to showcase the Helloworld Travel brand, product and travel expertise.



The Group continues to be well recognised in the industry as a preferred travel partner. In Australia, at the July 2018 National Travel Industry Awards (NTIA), Helloworld Business Travel was awarded the Best Non-Branded Travel Agency Group, MTA awarded as Best Travel Broker Network, Qantas Holidays / Viva Holidays awarded Best Wholesaler – Domestic Product and Air Tickets awarded as Best Agency Support Service. In New Zealand, at the September 2018 Travel Agents Association New Zealand (TAANZ) NTIA, Helloworld Travel was awarded Best Travel Agency Brand, The Travel Brokers was awarded Best Broker Brand and the wholesale business, GO Holidays, won the award for Best Wholesale Brand for the fifth consecutive year.

The Helloworld Travel Community Fund has grown its presence to support some very worthy causes and actively encourages Helloworld Travel staff to recommend activities in their local community for the Group to support. In the current half year, support has been provided to the School of St Jude in Tanzania, the Auckland Women's Refuge, Share the Dignity campaign, Family Life Christmas Appeal and the Buy a Bale campaign.

Liquidity and funding

As at 31 December 2018, the Group held a total cash balance of \$130.1 million compared with \$203.5 million at 30 June 2018. The decreased cash balance at December reflects the seasonality of monies held by the Group for travellers or customers prior to travelling. In the current half year, there was an additional decrease due to changes in the terms and timing of the payment cycle under International Air Transport Association (IATA) regulations, reducing the level of cash held prior to payment to IATA. In addition, the level of cash was impacted by higher working capital from better contracting outcomes and payment timing of override commission revenue.

As at 31 December 2018, the Group has external borrowings of \$51.4 million compared with \$41.5 million at 30 June 2018 with available headroom on its debt facilities of \$6.6 million compared with \$7.8 million at 30 June 2018. The external borrowing increased by \$9.9 million to fund the acquisition of Show Group and business development activities.

Helloworld Travel maintains a strong balance sheet, holding a high level of operating cash and positive net current assets, supported by a secured long term debt facility. The balance sheet supports future expansion through business acquisitions and agent network growth, while returning surplus funds to shareholders via fully franked dividends.

Dividend

During the current half year, the final fully franked dividend of 11.0 cents per share was paid, an increase of 37.5% compared with the prior corresponding period.

The Board declared an interim dividend of 8.0 cents per share, fully franked, for the half year ended 31 December 2018, with payment date of 15 March 2019. Helloworld Travel will build on this interim dividend for the year ended 30 June 2019, balancing the needs of shareholders with the appropriate capital structure and business expansion opportunities.

Outlook

In the current half year, Helloworld Travel has successfully grown the scale of its business in Australia and New Zealand, whilst benefiting from its focus on profitable revenue streams and continued cost control. These initiatives will continue to grow our margins and profitability in future financial years.

In the second half of FY19, Helloworld Travel is focused on driving the business forward through profitable revenue growth, new revenue initiatives, maintaining cost control and extracting further efficiencies from its investment in technology developments, enhanced travel platforms, improved product offerings and increasing brand recognition.

The Group has positive momentum leading into the second half of FY19 and is well positioned for sustainable long term growth. As a result, Helloworld Travel has re-confirmed its earning guidance for FY19 that its EBITDA will be in the range of \$76.0 million to \$80.0 million. This guidance is subject to no material and unexpected worsening in operating conditions or material unforeseen circumstances.



About Helloworld Travel Limited

- Helloworld Travel Limited (ASX: HLO) is a leading Australian & New Zealand travel distribution company, comprising retail travel networks, destination management services (inbound), air ticket consolidation, wholesale travel services, corporate travel management services and online operations.
- HLO has over 2000 staff located in Australia, New Zealand, Fiji, the USA, Asia, India and UK/Europe and over 2300 members of its travel agency networks in Australia and New Zealand.
- Helloworld Travel is the proud naming rights partner of Volleyball Australia and the Helloworld Travel Volleyroos men's and women's national teams.

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