

# 2020 Half Year Investor Presentation

Andrew Burnes CEO  
David Hall CFO



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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. 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.

**Underlying EBITDA** – represents earnings before interest expense, tax, depreciation and amortisation, adjusted to

- include depreciation on right of use assets and interest expense on lease liabilities arising from the application of the new lease accounting standard; and
- exclude large non-recurring items. In the current half year, this reflects business acquisition related expenses and discretionary amounts paid to the Group’s retail agents impacted by the collapse of Tempo Holidays and Bentours.



# AGENDA

1. OVERVIEW
2. FINANCIAL PERFORMANCE 1H20
3. STRATEGY & OUTLOOK
4. APPENDIX







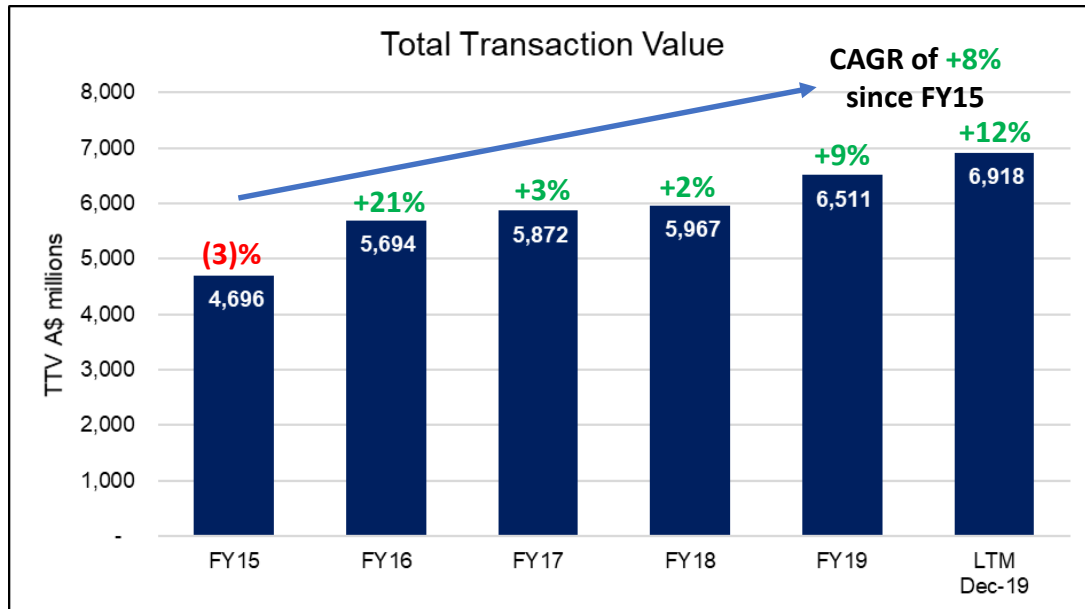
# OUR BUSINESS

- Retail and corporate agency networks
- Corporate travel management
- Travel wholesaling
- Inbound tour operating
- Online B2C
- Air Ticket consolidation
- Tour operating
- Freight services





## Organic growth in TTV, complimented by strategic acquisitions



Notes:

- LTM Dec-19 refers to the most recent 12 month period ended 31 December 2019
- Percentage movements in the above chart refer to growth versus the prior comparative period



# 1H20 Key Metrics

**TTV**  
**\$3,560m**  
**+ 12.9%**

**NPAT**  
**\$22.7m**  
**+ 4.1%**

**Revenue**  
**\$200.0m**  
**+ 9.8%**

**Interim Dividend**  
**9.0 cents**  
**+ 12.5%**

**Underlying EBITDA**  
**\$48.0m**  
**+ 14.8%**

**Underlying EBITDA Margin**  
**24.0%**  
**+ 4.3%**

- Record TTV and strong revenue growth from continued business expansion, both from acquisition and organic.
- Underlying EBITDA and NPAT growth from:
  - retail network expansion on both sides of the Tasman;
  - continued investment in wholesale product lines and technology;
  - strategic investment in cutting-edge retail technology solutions;
  - acquisition of new businesses in the corporate travel management sector;
  - realising further operational efficiencies throughout the business.



# Unrivalled portfolio of leading travel agency networks



2,496 at 31 DECEMBER 2019 | 2,447 at 30 JUNE 2019

- Growing our network of high calibre leisure and corporate agency members across our six Australian and four New Zealand networks supported by strong commercial partner offerings, professional network support and new technology innovations.
- A range of network offerings to cater for the differing business needs of travel agencies throughout Australia and New Zealand.





The central image displays a computer monitor showing the helloworld website interface. The website features a search bar, a navigation menu, and promotional banners for 'ASIA ON SALE' (Fly to Hong Kong with \$712\* more per year) and 'CANADA SALE' (CRUISING with \$AVE \$AOS). Below the monitor, there are several brochures and a card. On the left, a woman holds a white card with the MTA logo and the text 'MOBILE TRAVEL AGENTS'. To her right is a brochure for 'hello world TRAVEL THE TRAVEL PROFESSIONALS' showing a woman at a desk. Further right are two more brochures: 'MY TRAVEL GROUP STAY CONNECTED 2019' and 'DOING BUSINESS BETTER IN 2019', both featuring photos of people and text. In the background, there are larger promotional banners for 'hello world OMC PER 2020', 'hello world BUSINESS TRAVEL BUSINESS SUMM PER 20', and 'Magellan TRAVEL' with a hot air balloon graphic.



# Business Highlights

## CORPORATE BUSINESS GROWTH

- Acquisition of the TravelEdge Group, expanding existing corporate operations.
- Successful integration of prior year acquisitions Show Group and Williment Travel.
- QBT appointed travel provider for News Corporation.
- On track to achieve trans-Tasman TTV of \$1.6bn for FY20.

## WHOLESALE PRODUCT EXPANSION

- Agreement to purchase Excite Holidays' software platform to further enhance our B2B ReadyRooms platform and deliver improved functionality for agents.
- New and expanded 2020 product offerings including Scandinavia and Greece.
- Consolidated our wholesale brands with particular focus on Viva Holidays

## RETAIL NETWORK EXPANSION & DEVELOPMENTS

- Continued growth in network membership as outlined on the page 8 and commitment to increasing brand awareness and marketing exposure to benefit all retail networks.
- Successful launch of the ResWorld platform in 2019 with roll-outs to over 100 outlets by June 2020 and further rollouts across FY21 and FY22.





# Business Highlights

## 2019-20 TRAVEL INDUSTRY AWARD WINNERS

Our businesses continue to be recognised for their achievements, winning seven major travel industry awards, in addition to the many awards received by our network members in Australia and New Zealand.

### Australia

**Magellan Travel** – Best non-branded travel agency group;

**Air Tickets** – Best agency support service;

**Qantas Holidays and Viva! Holidays** – Best wholesaler – Australian product; and

**MTA - Mobile Travel Agents** – Annual Cruise Industry Awards – Network Promotion of the Year, Australasia.

### New Zealand

**GO Holidays** – Best wholesale brand;

**The Travel Brokers** – Best broker brand; and

**Best Young Travel Agency Executive Corporate** – Larissa De Brouwer – APX Travel Management.



afta

NATIONAL TRAVEL  
INDUSTRY AWARDS

WINNER 2019



TAA NZ  
NATIONAL TRAVEL  
INDUSTRY AWARDS

2019



# Business Expansion

HLO has made a number of strategic business acquisitions to complement the Group's existing operations and expand future product offerings to our agency, corporate and wholesale customers.

On 1 October 2019, HLO completed the acquisition of TravelEdge – one of Australia's largest privately owned travel management companies.

Acquisitions have added significant volume to TTV in the retail, wholesale and corporate divisions since January 2018.

We have a track record of successful integrations from our acquired businesses.



The TravelEdge team

## Timeline of acquisitions since March 2018





# FINANCIAL PERFORMANCE 1H20





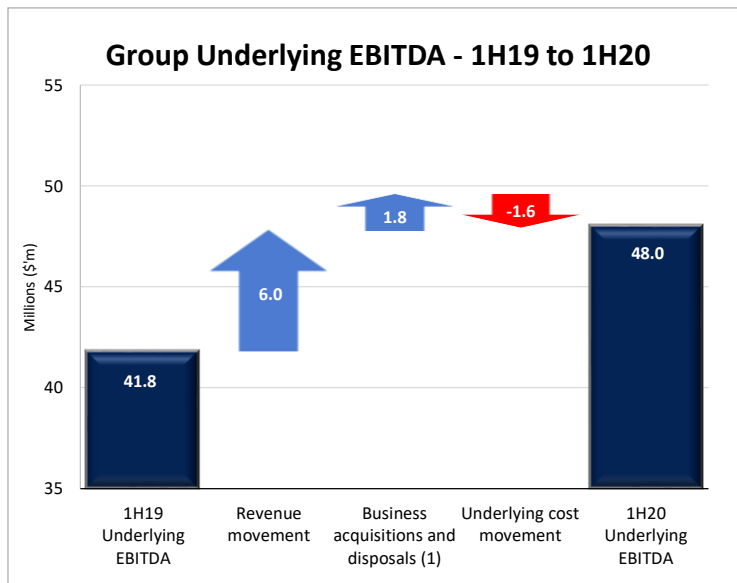
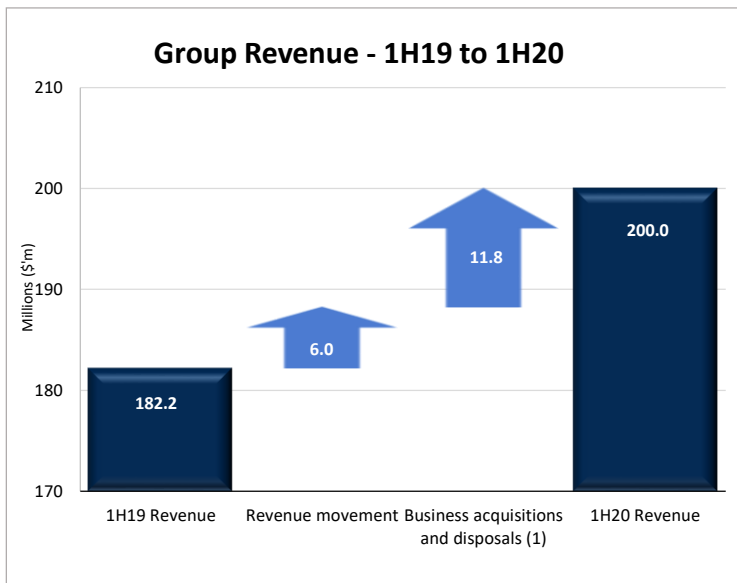
# 1H20 Results

	1H20	1H19	Change
	\$m	\$m	%
Total Transaction Value (TTV)	3,559.9	3,152.9	12.9%
Revenue	200.0	182.2	9.8%
Gross margin %	5.6%	5.8%	(3.4%)
Underlying EBITDA	48.0	41.8	14.8%
Underlying EBITDA % of revenue	24.0%	23.0%	4.3%
Profit before tax	32.9	31.3	4.9%
Net profit after tax	22.7	21.8	4.1%
Basic earnings per share (cents)	18.2	18.1	0.6%
Diluted earnings per share (cents)	18.2	18.0	1.1%
Interim dividend declared per share (cents)	9.0	8.0	12.5%

- Strong TTV and revenue growth underpinned by retail network expansion, new corporate clients and acquisitions.
- Margin down 0.2 ppt caused by stronger growth in lower margin retail division.
- Growth in underlying EBITDA driven by revenue growth in Australia and New Zealand.
- Underlying EBITDA includes \$0.7m of expenditure relating to a discretionary grant of shares to team members.
- Underlying EBITDA margin improvement reflects continued realisation of cost efficiencies.



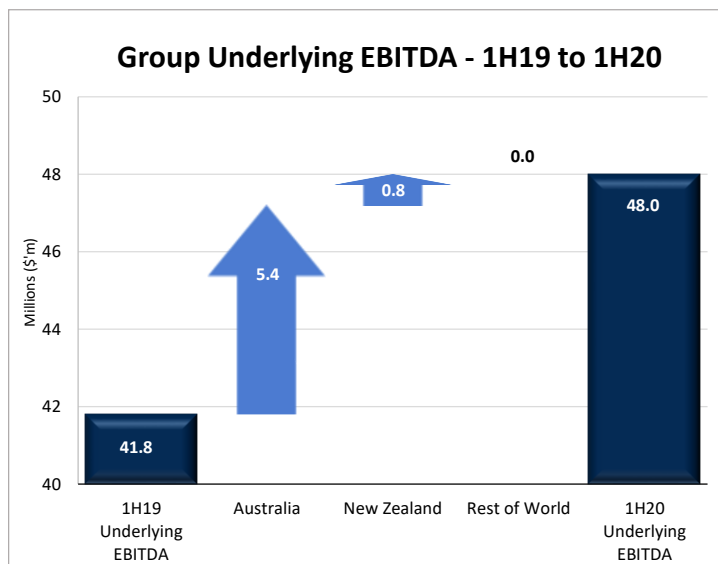
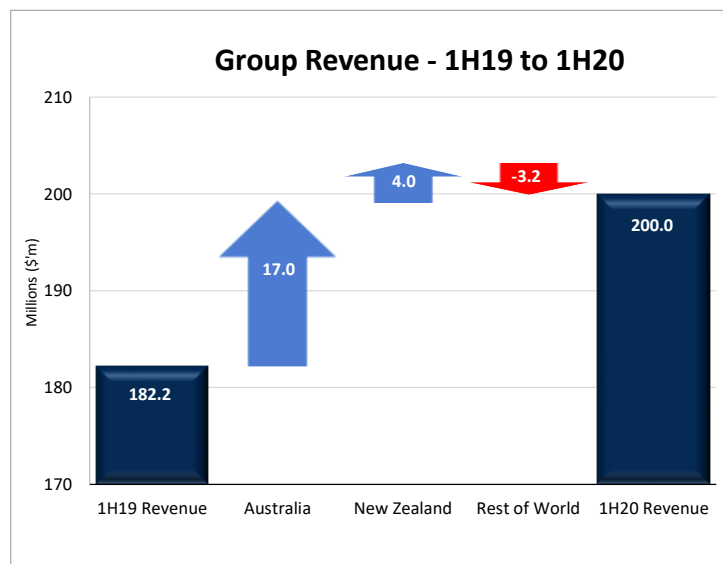
# Group Revenue and Underlying EBITDA



(1) Represents the impact of business acquisitions (TravelEdge, Show Group and Willimont Travel) and disposal of Insider Journeys business on the half year performance.



## Group Revenue and Underlying EBITDA – by segment







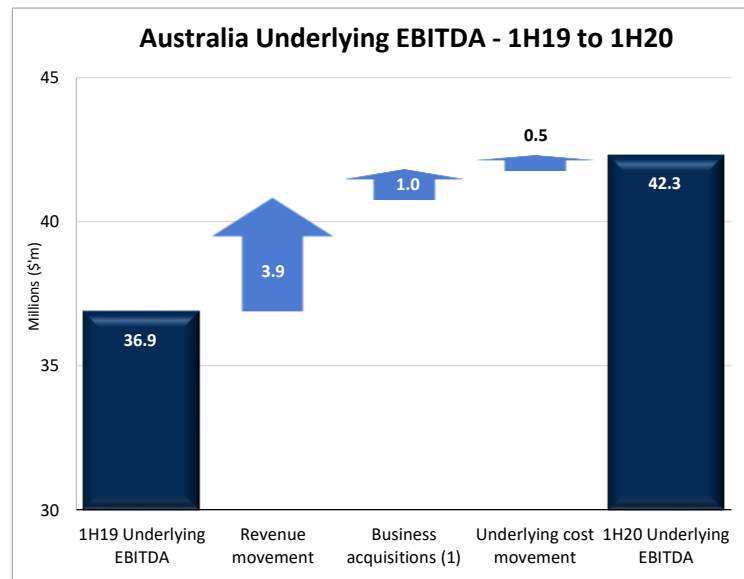
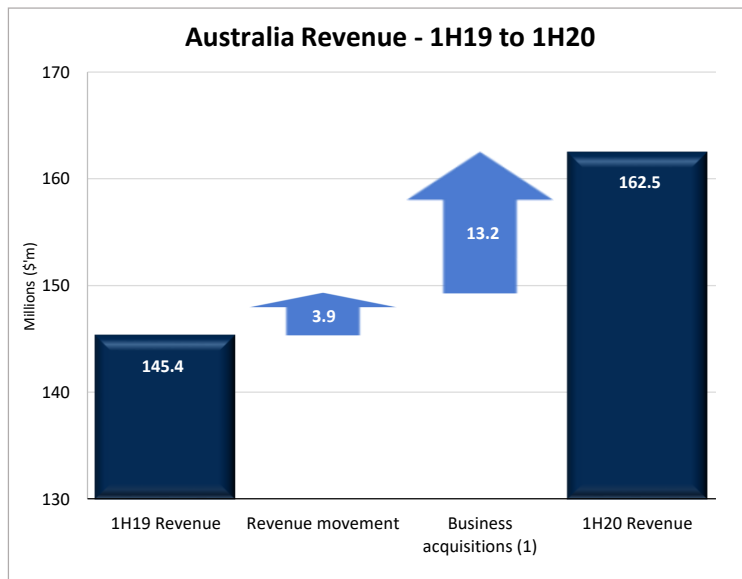
# Australia Overview

	1H20	1H19	Change
	\$m	\$m	%
Total Transaction Value (TTV)	3,020.1	2,724.8	10.8%
Revenue	162.5	145.4	11.7%
Gross margin %	5.4%	5.3%	1.9%
Underlying EBITDA	42.3	36.9	14.4%
Underlying EBITDA margin %	26.0%	25.4%	2.8%

- TTV growth from the Australian retail network, from Flight Systems and from our corporate TMC division.
- Australian wholesale businesses grew TTV by 2% led by positive results from Viva Holidays, ReadyRooms and Seven Oceans Cruises.
- TTV in the Australian corporate division up 34%, including the impact of Show Group and TravelEdge. Excluding acquisitions, TTV grew 5% from transactional growth from new and existing clients.



# Australia Revenue and Underlying EBITDA



(1) Represents the impact of business acquisitions (TravelEdge and Show Group) on the half year performance.



**SHOW FREIGHT**



**TOURIST TRANSPORT FIJI**



**FRONTLINERS CONFERENCE 2019**



**MAGELLAN CONFERENCE 2019**

**A diverse range of businesses and activities across the retail, wholesale, transport and corporate sectors.**



1



CONCERT

23



ARTISTS



DEDICATED SHOW GROUP  
CONSULTANTS

320



DOMESTIC FLIGHTS

5



WEEKS TO PULL IT TOGETHER

6+



HOTELS-ACCOMMODATION

75,000



FANS

4



BENEFACTOR CHARITIES

\$10m+  
and counting



RAISED TOWARDS BUSHFIRE  
RELIEF

FIRE FIGHT  
AUSTRALIA



**Show Group delivered the logistics for an amazing event with five weeks to design and deliver the result.**

**Over \$10m was raised towards bushfire relief.**

**All service fees were waived by Show Group.**



**THE MAGIC KINGDOM**



**EUROPEAN RIVER CRUISING**



**SKIING JAPAN**



**TANZANIA SAFARI**

**2,496 network members across Australia and New Zealand offering amazing service as the trusted advisers to leisure and corporate clients.**

**A world of wonder awaits!**



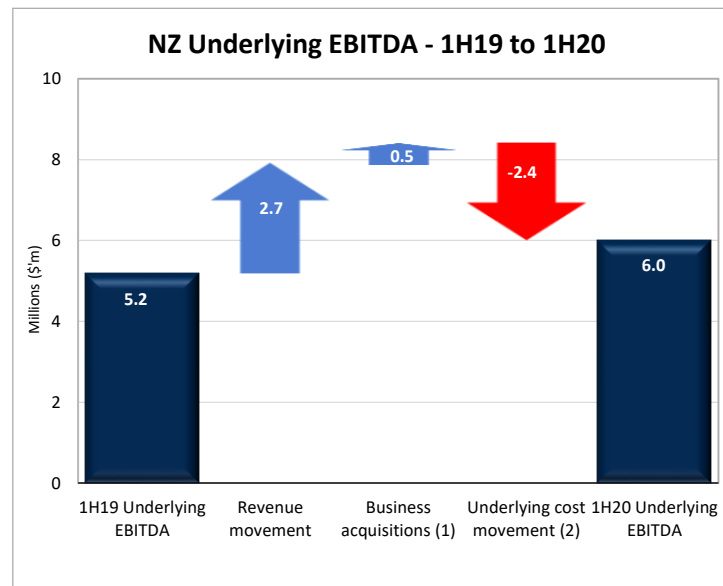
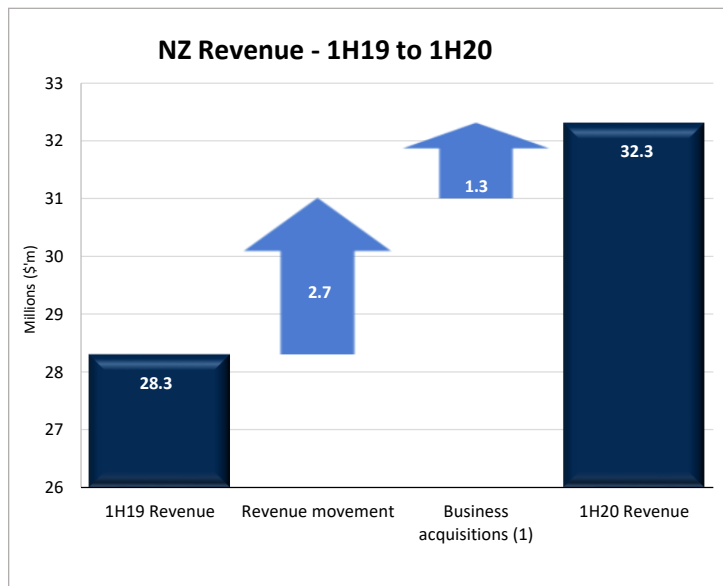
# New Zealand Overview

	1H20	1H19	Change
	\$m	\$m	%
Total Transaction Value (TTV)	512.8	385.1	33.1%
Revenue	32.3	28.3	14.2%
Gross margin %	6.3%	7.3%	(13.7%)
Underlying EBITDA	6.0	5.2	15.5%
Underlying EBITDA margin %	18.6%	18.4%	1.1%

- The New Zealand business increased TTV by 33.1%, driven by an expanded retail network in the second half of FY19.
- Revenue growth (relative to growth in TTV) and gross margin impacted by changes in the business mix with strong growth from lower margin retail business due to network.
- Underlying EBITDA up 15.5% on prior year.



# New Zealand Revenue and Underlying EBITDA



- (1) Represents the impact of business acquisition Willimint Travel on the half year performance.
- (2) Underlying cost movement is mainly due to the higher selling expenses reflecting revenue growth of the retail division.



# Rest of World (ROW) Overview

	1H20	1H19	Change
	\$m	\$m	%
Total Transaction Value (TTV)	27.0	43.0	(37.2%)
Revenue	5.2	8.5	(38.3%)
Gross margin %	19.3%	19.7%	(2.0%)
Underlying EBITDA	(0.3)	(0.3)	0.0%
Underlying EBITDA margin %	(4.9%)	(3.8%)	(28.9%)

- Lower TTV and revenue reflects the sale of the Insider Journeys business in June 2019 and a decline in wholesale USA trading.
- The decline in TTV and revenue fully offset by cost savings, resulting in no change to the Underlying EBITDA of the division.





# Underlying EBITDA to NPAT

	1H20	1H19	Change
	\$m	\$m	%
Underlying EBITDA	48.0	41.8	14.8%
Business acquisition related expenses (note 1)	(1.2)	-	-
Discretionary payments to agents & suppliers impacted by supplier collapses	(0.6)	-	-
Depreciation & amortisation (excluding right of use assets)	(11.8)	(9.5)	(24.6%)
Finance costs (excluding interest on lease liabilities)	(1.5)	(1.0)	(48.4%)
PBT	32.9	31.3	4.9%
Income tax expense	(10.2)	(9.5)	(6.9%)
NPAT	22.7	21.8	4.1%

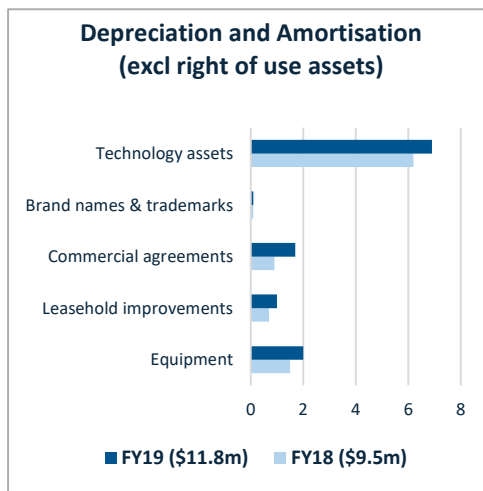
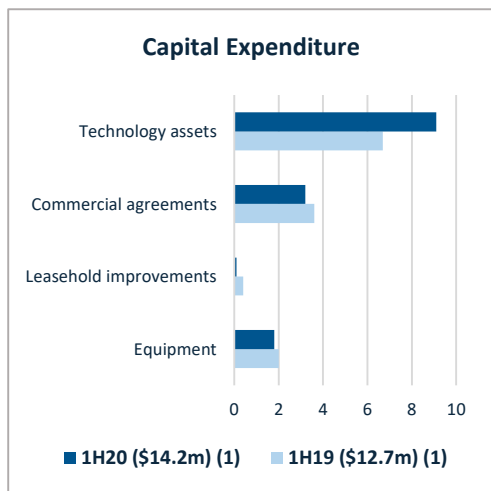
Notes:

1. Represents costs incurred on the acquisition of TravelEdge.

- Increased depreciation and amortisation due to:
  - the impact of commercial agreements and intangible assets acquired in the second half of the prior year;
  - increases in amortisation of intangible assets from multiple technology developments;
  - increase in depreciation of leasehold improvements due to new fit outs and accelerated depreciation of vacated premises;
  - finance expense flow from increased debt held to fund business acquisitions, partially offset by lower interest rates.
- Effective tax rate of 31.0% (1H19: 30.4%).



# Capital spend and D&A



- Increased investment in technology including ResWorld, Air Tickets booking system, QBT customer portal upgrade and online application enhancements.
- Commercial agreements entered into in the current and prior year to accelerate the expansion of the retail network.

(1) 1H20 expenditure includes share consideration paid in respect of commercial agreements. Expenditure excludes amounts paid in respect of business combinations.



# Liquidity and funding

Liquidity	Dec-19 \$m	Jun-19 \$m	Dec-18 \$m
Total cash	142.0	204.8	130.1
Drawn debt	(91.0)	(57.0)	(52.0)
Net cash	51.0	147.8	78.1

Funding	Dec-19 \$m	Jun-19 \$m	Dec-18 \$m
Funding facility	120.0	90.0	70.0
Used facility	(104.1)	(69.0)	(63.4)
Unused facility	15.9	21.0	6.6

- Total cash decrease since 30 June reflects seasonality of restricted IATA cash held and the timing of the business cycle. The current half year is consistent with the prior half year movement.
- Secured debt facilities in place.
- Cash and debt facilities being used to fund acquisitions, technology investments and productivity initiatives.



# Cash conversion

Growth in underlying free cash flow driven by higher underlying EBITDA.

The Group's cash conversion ratios have remained consistent with the prior year at c. 60% operating cash flow conversion and c. 34% free cash flow conversion.

Increased capital expenditure due to:

- Investment in technologies to develop enhanced customer and automation solutions.
- Continued business and network expansion in Australia and New Zealand.

	1H20	1H19	Change
	\$m	\$m	\$m
Underlying EBITDA	48.0	41.8	6.2
Net cash used in operating activities	(45.4)	(50.0)	4.6
Cash relating to the TravelEdge acquisition	(4.0)	0.0	(4.0)
Movement in restricted cash	69.8	65.3	4.5
Add back interest and tax paid	9.1	11.3	(2.2)
Underlying operating cash flow	29.5	26.6	2.9
Cash payments for capex	(13.2)	(12.7)	(0.5)
Underlying free cash flow	16.3	13.9	2.4
Cash conversion – operating cash flow (%)	61.5%	63.6%	(2.1)%
Cash conversion – free cash flow (%)	34.0%	33.3%	0.7%

## Reconciliation of reported operating cash flow

Restricted cash as at 31 December	60.2	57.1	(3.1)
Less opening restricted cash as at 30 June	(130.0)	(122.4)	(7.6)
Movement in restricted cash during the half year	(69.8)	(65.3)	(4.5)
Underlying operating cash flow	29.5	26.6	2.9
Deduct interest and tax paid	(9.1)	(11.3)	2.2
Statutory operating cash flow	(49.4)	(50.0)	0.6





# Conclusion – Outlook

- In the second half of FY20, Helloworld Travel expects our retail leisure, wholesale leisure and corporate businesses will be impacted by COVID-19, with minimal growth, if any, compared to 2H19. Based on current trends and as a result of the bushfire crisis over summer and COVID-19 we expect a negative impact on;
  - cruise sales;
  - inbound bookings; and
  - air ticket sales to and via Asia particularly China, Hong Kong and to a lesser extent Singapore.
- We note that HLO's inbound business is 3% of total TTV and that our China inbound business is 3% of our total inbound business.
- We anticipate the net outcome to the business will be minimal TTV growth on a like for like basis for the remainder of FY20 and we will provide a further trading update in April.
- On the basis of cost reduction strategies already being implemented and assuming there is no further material change in trading conditions over the remainder of the financial year, the business expects to deliver underlying EBITDA at the bottom end of the earnings guidance previously provided (being a range of \$86.0 million to \$90.0 million).



# APPENDIX



## Company background information

**A\$4.93**  
Share Price at  
31 December 2019

**124.7M**  
Shares Issued

**A\$614.9 M**  
Market Cap at  
31 December 2019

**A\$142.0 M** Cash  
**A\$91.0 M** Debt

### Board and Management Team

#### Non-Executive Director and Chairman - Garry Hounsell

Mr Hounsell was appointed to the Board as Chairman on 4 October 2016. In addition to his extensive experience on a wide range of highly successful boards, Mr Hounsell was formerly Senior Partner of Ernst & Young.

#### CEO & Managing Director - Andrew Burnes

Mr Burnes was appointed CEO and Managing Director on 1 February 2016. He founded The Australian Outback Travel Company (The AOT Group) in 1987 and merged this business with Helloworld Travel in 2016.

#### Non-Executive Director - Michael Ferraro

Mr Ferraro is currently the CEO and Managing Director of Alumina Limited, having been appointed on 1 June 2017. He was previously a Non Executive Director of Alumina.

#### Non-Executive Director - Andrew Finch

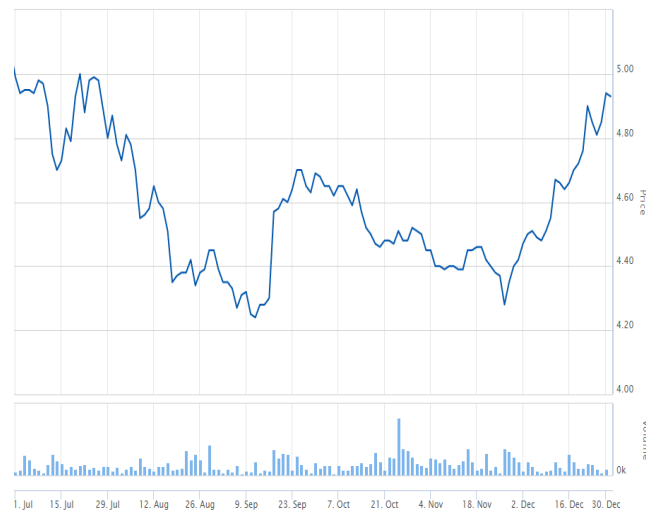
Mr Finch is General Counsel and Group Executive, Office of CEO at Qantas.

#### Executive Director & Group General Manager – Wholesale & Inbound - Cinzia Burnes

Mrs Burnes was appointed on 1 February 2016 and brings extensive sector and management experience to the board, having played a pivotal role in growing The AOT Group for over 26 years.

#### CFO / Company Secretary – David Hall

Mr Hall joined Helloworld Travel in December 2019 having spent the previous three years as the CFO of the Australian Pacific Airports Corporation.



### Shareholders

Mr A J Burnes & Mrs C Burnes	39,163,650	31.4%
Mr & Mrs Spyros Alysandratos	22,068,997	17.7%
Qantas	19,223,454	15.4%

**Total Top 10 (as at 31 Dec 2019)** **102,935,187** **82.5%**

**Total Top 10 (as at 30 Jun 2019)** **103,898,553** **83.4%**





THANK YOU





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