



**HELLOWORLD ANNOUNCES RESULTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

25 February 2015

HIGHLIGHTS

- Total Transaction Value (TTV) of \$2.3 billion
- Adjusted EBITDAI⁽¹⁾ of \$10.6 million
- Loss before tax of \$0.2m, an improvement of 95% on the prior comparative period (pcp) due to a reduction in business transformation costs and other non-recurring items
- Basic loss per share of 0.17 cents per share, an improvement of 84% on pcp
- Positive momentum in the business with key achievements including:
 - Increased profitability in the Wholesale and Travel Management segments
 - Continued delivery of enhanced value proposition to our network of high calibre bricks and mortar franchisees and members
 - helloworld.com.au TTV increased by 155% from July to December 2014. The initial investment in helloworld.com.au will impact the FY15 result
 - QBT appointed as sole provider of travel management services for Whole of Australian Government
 - Brand awareness continues to grow, driven by marketing investment in *helloworld*

SUMMARY OF RESULTS

The results for the half year ended 31 December 2014 are summarised as follows:

	31-Dec-14 (1H15)	31-Dec-13 (1H14)	
	\$ million	\$ million	% Change
Total transaction value (TTV)	2,307.5	2,524.9	-9%
Revenue	139.5	151.5	-8%
Adjusted EBITDAI ⁽¹⁾	10.6	19.0	-44%
Loss before tax	(0.2)	(3.9)	95%
Loss after tax attributable to members	(0.7)	(4.7)	84%
	Cents per share	Cents per share	% Change
Basic loss per share	(0.17)	(1.06)	84%
Diluted loss per share	(0.17)	(1.06)	84%

Helloworld Limited (ASX: HLO) today announced its results for the half year ended 31 December 2014.

HLO Chief Executive Officer Elizabeth Gaines said the period had been characterised by delivering significant improvement in profit before tax, “We are delivering on our priorities of engaging with our network of agents and preferred suppliers, driving opportunities through investment in technology, delivering successful and targeted marketing, growing our brand awareness, refreshing our agents’ stores and continuing to roll-out our Ambassador store initiative.”

(1) Adjusted EBITDAI is earnings before interest expense, tax, share-based payments, defined benefit expense, depreciation, amortisation and impairment adjusted for significant and/or unusual items of revenue or expense. Adjusted EBITDAI 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. A reconciliation of Adjusted EBITDAI to Loss before tax is contained in the Appendix to this announcement.

For the half year ended 31 December 2014 (1H15), the Group's loss before tax of \$0.2 million represented an improvement of \$3.7 million (95%) compared to the loss before tax of \$3.9 million in 1H14. The transformation to *helloworld* in Australia is now complete, and profit before tax has improved significantly reflecting a reduction in business transformation costs and other non-recurring items.

The Group achieved an Adjusted EBITDAI of \$10.6 million. This result was consistent with expectations and reflects the consolidated retail network, the investment in consumer brand marketing and the cost of establishing our digital platform *helloworld.com.au*.

Operating costs for 1H15 of \$128.8 million reduced by \$3.7 million or 3% compared to 1H14. This positive outcome reflects a continued focus on cost containment and productivity enhancements in our Wholesale and Travel Management segments and continues to give us the flexibility to invest in growth opportunities.

RETAIL SEGMENT

The Retail segment, which comprises HLO's bricks and mortar network and online business *helloworld.com.au*, generated TTV of \$1.7 billion for 1H15. Revenue decreased by 7% on pcp, reflecting the reduction in the size of the retail network that occurred during the transition to *helloworld* with the number of locations in Australia and New Zealand approximately 8% lower than at December 2013. Adjusted EBITDAI for the Retail segment of \$16.3 million for 1H15, represents a decrease of \$12.2 million on 1H14.

The Retail segment EBITDAI result for 1H15 has been impacted by improved agent incentive payments, the reduction in the retail network and the investment in consumer marketing. In addition, the result was impacted by a \$2.3 million investment in 1H15 costs associated with establishing *helloworld.com.au*. Excluding the *helloworld.com.au* impact, adjusted EBITDAI for the Retail segment was \$18.6 million for 1H15.

A network of high-calibre agencies

"We have succeeded in our goal of creating a network of high-calibre agencies, including many of the industry's leading corporate and retail travel agents as evidenced by our success and that of our franchisees and members at the Australian Federation of Travel Agents National Travel Industry Awards in July 2014¹," Ms Gaines said.

"Our franchisees and members tell us they recognise that their future success requires innovation and investment and that is a key differentiator that sets *helloworld* apart from our competitors. We continue to make strong progress in our business strategy through delivering profile, product, technology and training for our franchisees and members."

Brand awareness growing

The targeted consumer marketing campaigns conducted during 1H15 were aimed at driving increased customer traffic to our network of franchisees and members, supported by *helloworld's* strong digital offering. The increased consumer marketing investment over the past six months has had a substantial impact. Prompted brand awareness amongst Australian travellers has grown from 1 in 10 Australian travellers recognising the brand in April 2014 to 1 in 4 in November 2014, while spontaneous awareness has doubled².

In addition, on a like-for-like basis, TTV for the Australian Retail franchise network for 1H15 has increased by 1% when compared to 1H14. This was a good achievement given that market conditions in the leisure retail market during the last quarter of the 2014 calendar year were subdued and conditions have been and are expected to remain uncertain.

¹ *helloworld* was named Australia's Best Travel Agency Group (over 100 locations) and seven of *helloworld's* members and franchisees received awards along with HLO's Air Tickets business.

² Research conducted by *helloworld* of 1200 holiday decision makers in April and November 2014

The refresh of *helloworld* stores is now complete in Australia and the rollout of HLO's Ambassador stores is progressing well with 32 stores now complete and another 30 to be rolled out by the end of December 2015. We are extending the strategic reach of our network and will continue to look for well-placed opportunities such as our recent Ambassador store openings in Sydney's Westfield Miranda, Melbourne's Westfield Fountain Gate, and in Bunbury, Western Australia.

Product aligned with agents' and consumers' needs

HLO has continued to ensure our product portfolio aligns with our agents' needs as consumer demand for personalised solutions and support continues to rise. We're working with our suppliers to provide our franchisees and members with the product and environment they need to successfully engage with their customers. Our wholesale brands are also evolving with new products and new ways of doing business.

HLO announced in December 2014 that Covermore will be the sole preferred travel insurance supplier for the HLO retail travel agency networks. This commercial joint venture arrangement has allowed us to consolidate the supply and support of an important higher margin product while guaranteeing the stability of a key revenue source for our members and the network. The joint venture provides us with the flexibility and capabilities to build products that better meet consumer needs and thereby enhance the product offering and sales of our franchisees and members.

Training to promote trust and traction

Helloworld has and will continue to invest in strategies to improve customer service to ensure our brands are valued and trusted. This is critical to optimising our agents' success and to achieving our goal of a sustainable business powered by a network of high calibre agents. Our *hello You* customer service training initiative commenced in November 2014 and is being rolled out nationally to all of our brand-carrying agents in Australia. Developed by internationally renowned global training expert and PeopleInProgress CEO Terry Hawkins, the comprehensive program empowers customer-facing staff with the skills to positively influence, engage, and create strengthened, long lasting customer relationships.

Engagement with Owners and Managers across the fully Branded, Associate and Affiliate models remains strong. Sentiment amongst the Owners, Managers, and their frontline consultants was overwhelmingly positive with close to 1,000 delegates attending the recent *helloworld* conferences.

Omni-channel strategy

Helloworld continues to invest in technology to drive enhanced productivity and profitability for our agents and members and to further reinforce our value proposition as the network of choice. Against the backdrop of a rapidly changing retail environment, we recognised that we required a truly digital offering with a mobile presence to ensure that *helloworld* and our franchisees and members can operate in a multi-channel environment and do business wherever our customers are. As a result, we made a strategic decision to build a new multi-channel platform from the ground up, while partnering with Orbitz Worldwide Inc to ensure speed to market and best-in-class technology.

In a highly competitive market, *helloworld.com.au* has experienced 155% growth in TTV from July to December 2014. This investment in building *helloworld.com.au* as part of our omni-channel strategy is already delivering. *helloworld.com.au* is a powerful marketing channel for our business and for our franchisees and members and a genuine market differentiator. It allows us to capture revenue from online bookings, boost our brand visibility, extend our reach and channel enquiries to our agents. Both a *helloworld.com.au* Android and iOS app have been launched with the Apple store naming the *helloworld.com.au* app as a "Best Travel App" within the first week of release.

TRAVEL MANAGEMENT SEGMENT

The Travel Management segment generated Adjusted EBITDAI of \$1.8 million in 1H15, representing an improvement of 229% on the 1H14 EBITDAI loss of \$1.4 million. This improved result reflects the benefits of the restructuring initiatives and productivity improvements, as well as successful customer retention and acquisition across our businesses in Australia and New Zealand.

Travel Management segment TTV for 1H15 was in line with 1H14 and remains stable. Revenue increased by \$0.8 million (4%) on 1H14, reflecting an increase in the revenue margin from 6.4% to 6.7%. Operating expenses in the Travel Management segment decreased by \$2.2 million (11%) on 1H14.

QBT appointed sole provider for Whole of Australian Government

“Continued momentum in this segment is anticipated following the appointment in December 2014 of QBT as the sole provider of travel management services to each of the 142 Australian Federal Government agencies for an initial period of 4 years with certain extension provisions,” Ms Gaines said.

“The appointment of QBT was the result of hard work and dedication across the entire QBT business in delivering excellent service and capability and provides a powerful platform for on-going growth and success.”

WHOLESALE SEGMENT

Adjusted EBITDAI for the Wholesale segment for 1H15 was \$3.8 million representing an improvement of \$1.7 million (81%) on 1H14.

The Wholesale segment (Wholesale Australia, Wholesale NZ, Insider Journeys (previously Travel Indochina) and Wholesale USA) generated TTV of \$300.9 million. Revenue margin increased from 11.5% to 12.7% reflecting a focus on margin management. Operating costs decreased by 18% due to a continued focus on productivity improvements and operational efficiency.

The 1H14 results include trading for the ATS Inbound business until the disposal of the business on 30 September 2013. When the Inbound business trading is excluded, Wholesale Adjusted EBITDAI increased by \$1.9 million (101%) while TTV and Net Revenue decreased by 17% and 5% respectively on 1H14.

Increasing consumer demand for tailored ‘insider experiences’ has fuelled the growth of our highly successful Asia specialist, Travel Indochina. The February 2015 rebranding of Travel Indochina to Insider Journeys better reflects its expanded operations and focus and taps into the romance of travel. Travel Indochina has grown successfully over 21 years as a result of delivering on its commitment to providing authentic interactions with local communities. With guided small group tours well beyond the Indochina region into much of Asia including Japan, China, India, Sri Lanka and Bhutan, the rebrand to Insider Journeys captures the expanded reach and essence of tailored travel experiences which consumers are looking for.

LIQUIDITY AND FUNDING

Total cash on hand at 31 December 2014 was \$138.6 million consisting of client funds of \$110.3 million and general cash of \$28.3 million.

The Group reported a net cash outflow from operating activities for the half year ended 31 December 2014 of \$43.1 million which is in line with seasonal trends. At 31 December 2014, the Group had access to total finance facilities (including letter of credit facilities) of \$96.7 million with \$35.9 million utilised and remaining headroom available of \$60.8 million. The non-amortising finance facilities of \$81.7 million are available until April 2019 and additional amortising facilities of \$15.0 million expire by April 2019.

DIVIDEND AND ON-MARKET SHARE BUY-BACK PROGRAM

In accordance with the dividend policy, of a payout ratio in the range of 40%-60% of net profit after tax, the Board has determined that HLO will not pay an interim dividend.

In August 2014, HLO announced an on-market share buy-back program of up to 2.5% of the HLO’s issued share capital. The program was conducted during the half year with a total of 192,238 shares purchased on market. The program is expected to continue during the second half of FY15.

OUTLOOK

“The remainder of FY15 will see HLO focused on maintaining the momentum of *helloworld*’s growing brand presence in the Australian market, continued top line growth in *helloworld.com.au* and building on the increased profitability of both the Wholesale and Travel Management segments,” said Ms Gaines.

“HLO remains committed to ongoing investment to grow *helloworld.com.au*, a critical part of our omni-channel strategy. The level of investment required in the second half is expected to be lower than the first half, as TTV continues to grow.

“This continued investment in HLO’s digital offering, along with the subdued consumer sentiment³ in Australia, means that the Group is currently tracking to deliver an Adjusted EBITDAI in the range of \$25 - \$30 million and remains on track to deliver a Profit before tax in FY15.

“HLO will continue to evaluate different distribution channels and monitor overseas trends for future opportunities and continued growth. We also remain focussed on achieving growth through continued investment in targeted consumer marketing and campaigns aimed at increasing customer traffic to our network of franchisees and members, supported by a strong digital offering.

“We have a strong foundation for growth supported by a targeted omni-channel strategy. We remain committed to building our engagement with our consumers, our franchisees and members, our suppliers and delivering profits to shareholders.”

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About HLO:

- Helloworld Limited (ASX: HLO) is a leading Australia based travel distribution company, comprising retail travel businesses, air ticket consolidation, wholesale, corporate and online operations. This includes *helloworld*, Australia’s largest network of franchised travel agents, and *helloworld.com.au*.
- *helloworld* is a nationwide network of independently owned and operated stores, offering Australian travellers unparalleled convenience, industry-leading service and the best value, tailor-made holidays.
- *helloworld* was awarded Australia’s Best Travel Agency Group (100 outlets or more) at the 2014 National Travel Industry Awards.
- *helloworld* has been creating lasting travel memories for more than 40 years through the Harvey World Travel, Jetset Travel, Travelworld and Travelscene American Express brands.



³ <http://www.roymorgan.com/findings/6050-anz-roy-morgan-consumer-confidence-february-3-2015-201502030109>

APPENDIX:

Reconciliation of Adjusted EBITDAI

A reconciliation of Adjusted EBITDAI to loss before income tax is provided as follows:

	December 2014 \$'000	December 2013 \$'000
Adjusted EBITDAI	10,614	19,009
Profit/(loss) on disposal of investments	340	(5,444)
Business transformation costs	(973)	(9,168)
Share-based payments and defined benefit expense	(892)	(886)
Costs relating to GST matter	(464)	(229)
CEO resignation costs	(233)	-
EBITDAI	8,392	3,282
Depreciation	(2,291)	(2,636)
Amortisation	(4,626)	(2,702)
Finance costs	(1,676)	(1,821)
Loss before income tax	(201)	(3,877)