



## **ASX ANNOUNCEMENT**

Melbourne, 31 August 2020

# **HELLOWORLD TRAVEL - SURVIVING THE PERFECT STORM**

### **Full Year Highlights**

- FY20 Statutory Loss after Tax of \$70.0 million after one-off costs and non-cash impairments.
- FY20 Underlying EBITDA of \$44.0 million
- FY20 Underlying Profit Before Tax of \$17.1 million
- Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA) losses in the June quarter limited to \$6 million after government-imposed travel restrictions led to revenue declines and the implementation of strong cost controls
- Short-term net operating cash outflows tightly managed since April 2020
- 90% of outstanding refunds now processed and 60% now received and paid out
- JobKeeper benefits in Australia extended to end March 2021
- \$131.9 million cash balance at 30 June 2020, increasing to \$174.8 million cash balance at 28 August 2020 (post settlement of equity raise) including circa \$100 million unrestricted cash, with an additional \$8.9 million of headroom on existing facilities
- \$50.0 million equity raising has created an extended liquidity runway beyond end 2022
- COVID-19 cash burn minimized, revenue slowly returning, costs under control
- New Zealand operational re-structure completed August 2020
- Guidance for FY21 not provided at present due to uncertainty around the lifting of State and Federal Government border restrictions and travel bans.

Today, Helloworld Travel Limited (ASX:HLO) released unaudited results for the year ended 30 June 2020. HLO expects to release audited FY20 accounts by 15 October 2020.

HLO reported a Statutory Loss after Tax of \$70.0 million including non-cash impairment charges of \$67.1 million, largely against intangibles, where those asset carrying values are not supported by anticipated medium-term trading conditions at present.

Underlying EBITDA for FY20 was \$44.0 million and Underlying Profit before tax of \$17.1 million. These FY20 results compare to the \$73.5 million Underlying EBITDA and \$50.8 million Underlying Profit before tax achieved in FY19.

Since March, HLO has confronted the perfect storm, with international borders closing, State borders closing and a virtual shut down of the global travel industry. Although borders have opened up again in UK/Europe, inter-state travel is permitted in the US and Australians & New Zealanders are permitted to travel to various countries around the world, that is a moot point while Australians and New Zealanders are not permitted to leave and there is a huge backlog of Australians trying to return with limited caps on international arrivals in each capital city.

HLO responded quickly to the events of the last six months and was able to reduce monthly net operating cash outflows to circa \$2 million excluding one-off costs from April 2020 onwards. The Company has carefully managed its expenses and worked tirelessly to process cancellations and return monies and/or travel credits to clients both via Agencies and directly from suppliers around the world.

To bolster liquidity, HLO successfully completed a \$50.0 million equity raising in July / August 2020 and improved its liquidity runway to help manage the financial challenges of COVID-19 and the travel restrictions imposed to slow the virus' spread.

Over the last three months, HLO's corporate business in Australia and New Zealand has shown signs of recovery generating Total Transaction Value (TTV) of 30% of previous years volumes in July 2020 (unaudited) and we expect this to increase from October as State borders open again. This together with other call centre related activity has provided the company with some revenue generation during the COVID-19 period so far.

Within leisure operations, revenue generation has generally been much slower although we are seeing some revenues from intra-state travel, particularly in WA, Queensland and New South Wales and, for a short period, interstate travel, particularly when the Queensland border was open. Our Fiji operations remain in hibernation and closed, and we completed the sale of our US wholesale business on 30 June 2020.

#### Cost Reduction Targets

Since March 2020, HLO has:

- Lowered occupancy costs through renegotiations with landlords, resulting in a reduction of around 25% in our previous occupancy costs
- Eliminated a wide range of discretionary variable expenditures throughout the business
- Reduced by approximately 35%, the work force across Australia, New Zealand, Fiji and India, with the remaining personnel working reduced hours or placed on stand-down. Currently HLO has 730 personnel working in Australia, the vast majority on reduced hours, 110 personnel working in New Zealand and 34 personnel in Mumbai and Nadi with 375 personnel stood down in Australia and other locations.

HLO continues to invest in the technologies driving our Corporate, Wholesale and Retail offerings to customers to ensure we have growth and productivity drivers in place as we emerge from the COVID-19 period.

Across our business divisions we have an outstanding network of leaders and business development personnel who are working on our post-COVID strategies for 2021 and beyond.

Operationally, HLO has paid out to date full or partial refunds from our corporate, wholesale and ticketing businesses of over \$800 million in Australia and New Zealand, we have ticket refund turnarounds down to under seven weeks and wholesale and cruise refunds under control.

## Cash and Liquidity Runway

At 30 June 2020, HLO had a cash balance of \$131.9 million, increasing to a cash balance of \$174.8 million at 28 August 2020, post settlement of our successful \$50.0 million equity raise.

The August amount includes circa \$100 million unrestricted cash, with an additional \$8.9 million of headroom on existing facilities.

This additional liquidity includes the proceeds from our successful \$50.0 million raising in July.

HLO will continue to receive further subsidies for retained employees in Australia via the JobKeeper program, which has been extended to March 2021.

At current staffing levels, the company expects to receive a net benefit of circa \$20 million in additional subsidies for retained employees between 1 July and 31 March 2021 under current JobKeeper allowances.

HLO extended its banking facility expiry dates at 30 June 2020 and has agreed certain covenant suspensions and amendments with HLO's financier.

## **Outlook Commentary**

The last six months have been the most challenging time for travel in the modern era. No other event has even come close to wreaking the havoc that COVID-19 has had on our global aviation, supply and distribution businesses.

Travel relies on the ability of people to move without undue restriction and that is not the case at present in Australia or New Zealand, where citizens are not even allowed to leave their countries except on the most compassionate of grounds.

Due to uncertainties around the re-opening of State and international borders, we are not able to provide any meaningful guidance at this time.

What we can say is that we will continue to process the billions of dollars of refunds and credits due to customers for pre-booked, pre-paid travel arrangements, we will continue to support our corporate, entertainment and wholesale customers, continue to help the travel agents in our six networks in Australia and four networks in New Zealand, we will continue to support our 1,200+ personnel in Australia, New Zealand, Fiji and India, we will be there for our inbound customers in seventy-two countries around the world when they can send their citizens back to Australia, New Zealand and the South Pacific and we will continue to support our supplier partners wherever they may be.

With overheads at around \$4 – 5 million per month (circa 80% reduction on previous levels), a nett cash burn of circa \$2 million per month, strong liquidity and a significantly lower cost base across our key business operations, we are confident we can continue to adapt the business to the circumstances that confront us, ride out this “perfect storm” and take advantage of opportunities as they arise and emerge from this crisis in a very strong position.

Comments from Andrew Burnes, HLO CEO & Managing Director

*“This has been the most challenging period in our company’s history and we are working, like every other business around the world, to manage the responses to this crisis so we can be there when the world starts to emerge from COVID-19 and starts travelling again.*

*I believe that travel experiences will be even more treasured when this has ended. People will not hesitate to go and see and do the things they have always wanted to do in the newfound knowledge that circumstances can change very rapidly.*

*We are confident that when they can travel, our customers will need the help of their travel professional more than ever.*

*We’ve been providing professional travel services to our customers for over 60 years. And we will be there on the other side of this for our customers for the next 60 years and beyond.”*

This announcement has been approved by the Board.

**About Helloworld Travel Limited**

*Helloworld Travel Limited (ASX: HLO) is a leading Australian & New Zealand travel distribution company, comprising retail travel networks, corporate travel management services, destination management services (inbound), air ticket consolidation, wholesale travel services, and online operations.*

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