



Helloworld Travel Limited results announcement

Half year ended 31 December 2017

HIGHLIGHTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

- Total Transaction Value (TTV) growth of 2.7% to \$2.968 billion.
- Earnings before interest expense, tax, depreciation and amortisation (EBITDA) of \$35.5 million, an increase of \$5.5 million (18.2%) compared with prior comparative period.
- Profit before tax of \$26.0 million, an increase of \$7.3 million (39.2%) compared with prior comparative period.
- Basic earnings of 15.4 cents per share, an increase of 3.9 cents per share (33.9%) compared with prior comparative period.
- Interim dividend declared of 7.0 cents per share, an increase of 16.7% compared with prior comparative period.
- Positive momentum continues, with strong financial and operating performance including the following key achievements:
 - Growth in TTV, underpinned by ticketing volume growth.
 - Delivering strong EBITDA and net profit growth, in line with 2018 full year market guidance and business expectations.
 - Improved underlying operating cash flow and a stable balance sheet.
 - Strengthening and diversifying the retail network, including the acquisition of the Magellan Travel Group, to be completed by the end of February 2018, and expansion of the New Zealand member network.
 - Delivering improved benefits for the member and agent networks, supported by continual growth in our brand recognition.
 - Focusing investment on people and technology to enhance, our leisure and corporate customer travel solutions.

SUMMARY OF RESULTS

Helloworld Travel Limited (ASX: HLO) results for the half year ended 31 December 2017 (1H18)

	31-Dec-17 \$m's	31-Dec-16 \$m's	Change %
TTV	2,967.9	2,890.1	2.7%
Revenue	164.9	171.2	(3.7%)
EBITDA	35.5	30.1	18.2%
Profit before tax	26.0	18.7	39.2%
Profit after tax	18.1	12.9	40.0%
	Cents per Share	Cents per Share	Change %
Basic earnings	15.4	11.5	33.9%
Diluted earnings	15.3	11.5	33.0%
Prior year final dividend, paid in current period	8.0	2.0	300%
Interim dividend	7.0	6.0	16.7%

Dollar and percentage movements have been calculated from the financial statements which are rounded to thousands.

Helloworld Travel grew TTV by 2.7% underpinned by strong ticket volume growth, partially offset by lower airfare prices caused by airline discounting in Australia and New Zealand. Revenue was \$164.9 million, a decrease of 3.7% mainly due to the prior comparative period including revenue from the disposed air representation business, disposed company owned stores and the restructured Insider Journeys business. Excluding these factors, revenue decreased by \$1.6 million or 1.0% reflecting the continued lower airfare prices and mix change across business units and products. Operating costs are significantly below the prior comparative period across all segments, mainly reflecting the continued focus on cost reductions initiatives to right size the cost base and reduced costs from disposed operations.

Helloworld Travel reported EBITDA of \$35.5 million, an increase of 18.2% or \$5.5 million from the prior comparative period. The profit after tax was \$18.1 million, an increase of 40.0% or \$5.2 million from the prior comparative period. As a result, earnings per share grew by 33.9% to 15.4 cents, which enabled the declaration of a higher interim dividend of 7.0 cents per share to shareholders, whilst still maintaining a strong balance sheet that can be used for future opportunities.

From a segment perspective, the Australia and Rest of World segments have delivered strong EBITDA growth compared with the prior comparative period. The results in Australia reflect TTV growth and cost reduction initiatives, partially offset by margin decline. The Rest of World segment pleasingly delivered a small positive EBITDA result, which is a significant turnaround from the prior comparative period loss, reflecting the positive momentum from the business refocus and restructured wholesale businesses. The New Zealand segment delivered strong TTV growth from its expanded retail member network, however EBITDA has decreased slightly from the prior comparative period as the segment was impacted by margin decline, partially offset by its reduced cost base.

The Helloworld Travel retail network comprised 2,065 members across Australia and New Zealand as at 31 December 2017, an increase of 50 members since 30 June 2017. The number of members has grown in both Australia and New Zealand mainly due to the increase in the independent network, My Travel Group. Helloworld Travel continues to invest in the brand and technology to provide enhanced travel solutions and experiences for its member network, partners and customers. The successful rebrand to Helloworld Travel – The Travel Professionals has been well received by members and the public with significant growth in brand awareness.

The wholesale and inbound businesses are continuing to deliver on key customer and supplier initiatives. During the current half year, Helloworld Travel has expanded the in-house product range for our retailers to sell including new brochures covering the Maldives, Disney Magic, UK & Europe, Weddings & Honeymoons and Unique Rail Journeys. The Inbound business is experiencing strong demand from overseas partners for the improved product offerings into the Australia, New Zealand and Fiji markets.

In relation to the corporate business, AOT Hotels successfully re-tendered for the Whole of Australia Government contract for accommodation program management, securing the contract for a period of 3 years with further extension options. In January 2018, QBT established a joint venture, Inspire Travel Management, with the In Travel Group, which will provide a point of difference to the corporate market and highlight the best practice in the industry in the areas of Indigenous employment and procurement outcomes. The consolidation of the corporate business in Australia (QBT) and New Zealand (APX) is progressing, to ultimately result in a streamlined trans-Tasman corporate travel solution for our customers.

Segment performance

Australia segment

The Australia segment generated TTV of \$2,500.5 million in 1H18, representing an increase of 2.1% compared with the prior comparative period. Revenue decreased by 1.9% or \$2.5 million to \$127.5 million mainly due to the disposal of operations including the air representation business in January 2017 and the remaining seven company owned stores in Australia in August 2017. Excluding the impact of disposed operations, the Australia segment underlying revenue increased by \$0.3m from the prior comparative period as the revenue growth from the increased TTV was partially offset by lower revenue margin from changes in business and product mix, and lower airfare prices.

Operating costs have decreased from the prior comparative period, reflecting the business focus on cost control to right size the cost base, with significant reductions in employee and operating expenses, and the removal of costs associated with the disposed operations. As a result, EBITDA for the segment was \$34.0 million, representing growth of \$4.9 million or 16.9% compared with the prior comparative period.

The Australian segment performed strongly in 1H18, despite falling international air ticket prices, the segment delivered increased TTV driven by growth in key corporate and cruise sectors and airline ticketing transaction volume. Retail member numbers have increased from 30 June 2017, with the stability providing a strong and dedicated agent network, with increasing customer satisfaction levels. The completion of the acquisition of the Magellan Travel Group in the second half of the 2018 financial year, will add an important network of independent agents, to the Helloworld family.

The increased customer awareness from the rebrand to Helloworld Travel continues, with increasing brand recognition. In addition, advertising and marketing spend is focused on unique product offerings and value proposition, generating improved financial returns. The Group continues to invest in key technology innovations to enhance, travel solutions for agents, franchise members, suppliers and customers.

New Zealand segment

The New Zealand segment generated TTV of \$417.0 million in 1H18, representing an increase of 8.7% compared with the prior comparative period. Revenue decreased by 7.1% or \$2.1 million to \$27.7 million impacted by business and product mix change, the disposal of unprofitable company owned stores and six month impact of lost corporate accounts in the prior year. Operating costs decreased by 6.8% or \$1.9 million mainly reflecting the lower cost base from cost reduction initiatives and the removal of costs associated with the disposed company owned stores. As a result, EBITDA for the segment was \$1.4 million, which is slightly lower than the prior comparative period of \$1.6 million.

The New Zealand segment delivered a strong TTV result, as retail member numbers grew to 347 members as at 31 December 2017, being an increase of 47 members since 30 June 2017 reflecting the expansion of the independent network, My Travel Group. In New Zealand, the company continues to divest out of Helloworld company owned stores and have five remaining in the network as at 31 December 2017.

The New Zealand wholesale business, Go Holidays, won the award for Best Wholesale brand in New Zealand for the 4th consecutive year at the September 2017 TAAZ National Travel Industry Awards (NTIA) further enhancing its position within the industry. In relation to the corporate business, APX recently won the tender for the corporate travel business of Fonterra, which is expected to provide a notable TTV increase in the second half of the 2018 financial year.

Rest of World segment

The Rest of World segment generated TTV of \$50.4 million in 1H18, representing a decrease of 12.7% compared with the prior comparative period. Revenue decreased by 15.3% or \$1.8 million to \$9.7 million reflecting the restructure of the Insider Journeys brand and aggressive competitor pricing, with the refocus to more profitable distribution channels. Operating costs decreased by 20.7% reflecting the re-sized cost base of the Insider Journeys business. The other businesses in this segment, which include Qantas Vacations (USA) and a tourism transport business in Fiji, reported an improved an EBITDA result compared with the prior comparative period. As a result, the Rest of World Segment reported an EBITDA of \$0.1m for the half year ended 31 December 2017. Whilst the profit contribution is small, it is a significant improvement from the prior comparative period loss of \$0.6 million.

The Rest of World segment is currently a small segment but with significant future importance to the Group. Insider Journeys has undertaken a significant restructure across the business to turnaround the past business performance. The USA business is focused on generating future TTV growth, with increases in coverage and region exposures. Inbound and transport businesses in Fiji are well positioned in the local markets to cater for tourism growth opportunities including cruise ship arrivals, in addition to reducing and simplifying its operating cost base. The Group will look to build on the successful turnaround of the segment in 1H18 by continuing to seek opportunities for growth and drive improved profitability in its Rest of World businesses.

Liquidity and funding

Helloworld Travel's balance sheet remains strong with a positive net cash position, improved underlying free cash flow and available headroom on secured debt facilities of \$29.5 million. As at 31 December 2017, the Group has total cash on hand of \$160.0 million consisting of client funds of \$122.4 million and general cash of \$37.6 million. The client cash has reduced significantly from June in line with business seasonality of client travel, adversely impacting the reported free cash flow. As at 31 December 2017, the Group has external borrowings of \$19.9 million (30 June 2017: \$20.4 million).

Helloworld Travel has recently announced the acquisition of the Magellan Travel Group, expected to be completed by the end of February 2018 for \$32.5 million, to be funded with a mixture of cash and shares. Helloworld Travel's strong balance sheet has enabled the acquisition of Magellan Travel Group, whilst ensuring dividends to shareholders continue to increase in line with growth in net profit and the investment in technology and automation continues to grow.

Dividend

The Board has resolved that the company will pay an interim dividend of 7.0 cents per share. The dividend is to be paid on 9 March 2018. Helloworld Travel will look to build on this interim dividend for the year ended 30 June 2018, balancing the needs of shareholders with the appropriate capital structure.

OUTLOOK

Helloworld Travel has delivered a strong performance for the half year which is in line with the 2018 full year market guidance and business expectations. The business is well placed to continue the positive momentum into the second half of FY18 and is focused on growing TTV and improving revenue margins. The cost base continues to reduce as productivity and cost efficiencies are driven through the business to improve EBITDA margins.

Helloworld Travel will continue to grow the brand and invest in technologies and staff, to provide continued enhanced travel solutions to our member network, partners and customers. The business has a solid foundation for sustainable long term growth.

-ENDS-

About Helloworld Travel Limited

- Helloworld Travel 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 Travel”, 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, ETA, QBT, Sunlover Holidays and Insider Journeys
- “Helloworld Travel” 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 2000 staff located in Australia, New Zealand, Fiji, the USA, South East Asia, India and UK/Europe
- 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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