



corporate travel  
management

11<sup>th</sup> July 2018

#### ASX RELEASE

### Corporate Travel Management to Acquire Lotus Travel Group Limited, Hong Kong

Corporate Travel Management Limited (CTM, ASX code: CTD) today announced the acquisition of Lotus Travel Group Limited (Lotus), headquartered in Hong Kong. CTM will be acquiring 75.1% of Lotus with our CTM Asian partners Ever Prestige Investments Limited (EPI) acquiring the remaining 24.9%. EPI currently holds 24.9% of Wealthy Aim Investments Limited, the holding company of CTM's Asian travel business. The acquisition will be effective 2<sup>nd</sup> October 2018.

#### About Lotus:

- Operating for over 60 years and one of the largest Travel Companies in Greater China.
- CY17 Total Transaction Value (TTV) HKD6.0bn (AUD1.0bn), EBITDA HKD30.0m (AUD5.0m)
- Headquartered in Hong Kong with offices in Greater China, employing 400 staff
- Very similar profile to CTM Asia (leaders in Corporate, B2B wholesale, MICE and Events)
- <https://www.lotustours.com.hk/corporate/AboutUs/>

#### Strategic rationale:

1. **Scale** - CTM Asia becomes the largest player in Hong Kong servicing Greater China. By combining, we become the clear leader in Hong Kong with TTV of approximately AUD2.5b. This creates optimum scale to best leverage our technology, support costs and enhance our excellent supplier relationships, across a wider base to best support long term sustainable growth.
2. **Very similar businesses** - Lotus and CTM Asia are market leaders in Hong Kong, and share a similar culture and business mix across Corporate, Wholesale (B2B), MICE and Events. The knowledge of each other's business and management lends itself to capitalising upon best practice across both businesses to make the combined entity more effective.
3. **Optimise Lotus performance** – The strategy is to overlay CTM technology, the CTM Corporate SMART technology suite and our business systems and processes to make Lotus and their people more effective to support longer term sustainable growth.
4. **Growth, revenue and cost synergies** - Compared to CTM Asia, the Lotus business has relatively low profit to TTV margins, despite the businesses being very similar. (CTM Asia FY18: TTV AUD1.5bn. EBITDA AUD19.5m, Lotus CY17: TTV AUD1.0bn, EBITDA AUD5.0m) There will be technology led synergies that should lead to materially improved people effectiveness, profits and growth over a two to three-year cycle.

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Corporate Travel Management Group Pty Ltd ABN: 17 131 207 611

Level 24, 307 Queen Street, Brisbane, Queensland 4000 GPO Box 2584, Brisbane QLD 4001

Telephone: +61 7 3211 2400 Free call: 1800 663 622 [www.travelctm.com](http://www.travelctm.com)

CTM Managing Director Jamie Pherous said “Lotus is a long standing and highly regarded travel leader in Hong Kong. They meet our strict acquisition criteria, and like CTM Asia, are leaders in travel in the region and enjoy high client and staff retention. Our Asian senior leadership teams are very familiar with each other.”

In commenting on the opportunities, Mr Pherous said: “We are delighted to have Lotus become a key part of our Asian business. Together, we will become a leader in the Greater China market and will be well positioned to enhance our client offering, technology and expertise in this market”.

Chairman and CEO of Lotus, Patrick Kong said: “We have known the CTM Asia leadership team for many years and have watched CTM Asia build a very strong growth business based on highly personalised service delivery with best-in-class technology solutions. We consider that CTM is an excellent fit to enhance our service offering to both current and future clients, while providing exciting new career opportunities for our employees that comes through growth.”

#### **Financial considerations and funding:**

- Base consideration of HKD300m (AUD50m) which is approximately 10x CY17 EBITDA. Like CTM Asia, Lotus profits were negatively impacted by declining ticket prices in CY17.
- Maximum earn-out of HKD65m (AUD10.83m) based on CY18 NPAT prorate of HKD30-40m (AUD6.0-6.6m) prorated.
- The acquisition will be funded via a share placement of 1.554m fully paid ordinary shares at \$25.75 per share, raising AUD40.0m, representing CTM’s 75.1% share. CTM intends to issue the shares under Listing Rule 7.1.

#### **FY18 Guidance Update/Impact on FY19 Guidance:**

- CTM is expected to deliver full year EBITDA at or slightly above AUD 125m (as previously advised this was the upper end of FY18 guidance).
- The acquisition is targeted to take effect from 2<sup>nd</sup> October 2018 and is expected to contribute 9 months EBITDA in FY19 of AUD4.0m with a full annualised contribution of approximately AUD5.0m.
- FY19 profit Guidance will be updated accordingly upon the release of CTD FY18 full year results on 22<sup>nd</sup> August 2018.

Exchange rates AUD1.00= HKD6.00.

#### **About CTM**

CTM is an award-winning provider of innovative and cost-effective travel management solutions to the corporate market. Its proven business strategy combines personalised service excellence with client facing technology solutions to deliver a return on investment to clients. Headquartered in Australia, the company employs approximately 2,700 FTE staff globally, including Lotus, and provides local services solutions to clients in more than 70 countries.

For Media enquiries please contact Julian Murphy | Communications Manager p | +61 7 3164 5583 m | 0418 970 778

For Investor Relations please contact allison\_dodd@travelctm.com or +61 7 3210 3354