

HELLOWORLD TRAVEL LIMITED RESULTS ANNOUNCEMENT



YEAR ENDED 30 JUNE 2019



Full Year Highlights

- Total Transaction Value (TTV) growth of 9.1% to \$6.5 billion and revenue growth of \$31.9 million (9.8%) to \$357.6 million led by business expansion and solid trading performances from existing operations.
- Earnings before interest expense, tax, depreciation and amortisation (EBITDA) of \$77.3 million, an increase of \$13.3 million (20.8%) compared with the prior year. Profitable growth initiatives delivered improved EBITDA margin of 21.6%, an increase of 1.9% compared with the prior year.
- Basic earnings of 31.5 cents per share, an increase of 5.4 cents per share (20.7%) compared with the prior year.
- Final dividend declared of 12.5 cents per share, bringing the total declared dividends for FY19 to 20.5 cents per share, an increase of 13.9% compared with the prior year.
- Key achievements in FY19:
 - Retail network expansion to 2,447 members as at 30 June 2019 including opening 30 new Helloworld Travel branded agencies across Australia and New Zealand.
 - Accelerating Helloworld Travel's brand presence in Australia and New Zealand via consumer advertising and strategic partnerships including the launch of the Helloworld TV show and platinum media partnership with News Corporation.
 - Acquisitions of the Show Group business in Australia and Williment Travel Group in New Zealand complementing and enhancing the existing Helloworld Travel portfolio.
 - Strong full year contribution from the Magellan Travel Group.
 - Increased investment in the development of enhanced technology solutions, network expansion and marketing initiatives.
 - Two year extension for providing travel management services to the Whole of Australian Government.
 - Reappointed for five years to the panel that provides travel management services to New Zealand All of Government.
 - Over \$50 million TTV secured in new corporate account wins including the South Australian Government and Australia Post.

Summary of results

	30-Jun-19 \$m's	30-Jun-18 ⁽¹⁾ \$m's	Change ⁽²⁾ %
TTV	6,511.3	5,966.8	9.1%
Revenue	357.6	325.7	9.8%
EBITDA	77.3	64.0	20.8%
Profit before income tax expense	54.5	45.0	21.0%
Profit after income tax expense	38.2	30.8	23.8%
	Cents per Share	Cents per ⁽¹⁾ Share	Change %
Basic earnings	31.5	26.1	20.7%
Diluted earnings	30.9	25.9	19.3%
Interim dividend - fully franked	8.0	7.0	14.3%
Final dividend - fully franked	12.5	11.0	13.6%

(1) Comparative financial numbers have changed to align with the adoption of the new revenue accounting standard, refer to the financial report for further details.

(2) Dollar and percentage movements have been calculated using the financial statements which are rounded to thousands.



Results overview

Helloworld Travel continued to record strong growth in revenue, EBITDA and net profit before income tax expense compared with the prior year led by increasing TTV from its business expansion, stable revenue margins and continued focus on delivering cost efficiency initiatives. Helloworld Travel maintained its commitment to focus on strategically growing the business and its networks at profitable margins, whilst at the same time increasing investment in its brands, products, technology and people to ensure the Group is well positioned to deliver sustainable long term growth.

TTV grew by 9.1% to \$6.5 billion driven primarily by the full year impact of business acquisitions undertaken in the second half of the prior year including the Magellan Travel Group, Flight Systems and Asia Escape Holidays and the addition of Show Group acquired in December 2018.

Revenue grew by 9.8% to \$357.6 million led by the inclusion of the business acquisitions and strong trading performances by the Australian and New Zealand retail networks.

Operating costs increased compared with the prior year from the inclusion of the cost base of the business acquisitions. Costs (excluding acquisitions) were successfully lowered from the prior year as the business continued its focus on key strategic marketing initiatives and other initiatives to deliver efficiencies and cost control.

Helloworld Travel has delivered another year of profitable growth with EBITDA of \$77.3 million, an increase of 20.8% or \$13.3 million compared with the prior year. Profit before tax was \$54.5 million, an increase of 21.0% or \$9.5 million compared with the prior year. As a result, basic earnings per share grew by 20.7% to 31.5 cents, which enabled the declaration of a final dividend of 12.5 cents per share to shareholders. This brings the total dividends declared to 20.5 cents per share, an increase of 2.5 cents per share or 13.9% from the prior year.

Segment overview

The Australian segment generated TTV of \$5,574.1 million, an increase of 10.0% driven by strong growth from the enlarged business and increased product offerings. Revenue grew by 13.2% led by the expansion in the retail division, improved margins driven by increased network sales through preferred partners and a focus on profitable revenue streams. EBITDA for the Australian segment was \$65.0 million, an increase of \$8.0 million or 14.1% compared with the prior year.

The New Zealand segment generated TTV of \$851.9 million, an increase of 6.0% compared with the prior year reflecting the expanded retail network footprint. Revenue increased by 3.5% from increased sales volume and improved margin outcomes. The TTV increase was partially offset by the full year impact of reduced company owned stores and lower than prior year transaction volumes in wholesale and APX as a result of the businesses focus on profitable margins and customers. EBITDA grew to \$11.6 million, an increase of 68.1% compared with the prior year reflecting the retail revenue growth and lower operating costs from productivity efficiencies that included the ongoing centralisation of key business support functions.

The Rest of World segment recorded TTV and revenue below the prior year primarily reflecting challenging market conditions for the USA wholesale and Insider Journeys businesses. The segment generated EBITDA of \$0.8 million, with operating losses of Insider Journeys and USA wholesale being offset by the \$2.0 million profit on sale of the Insider Journeys business and operating profits from our Fijian businesses. The group continues to focus on improving the USA wholesale business, including cost rationalisation where appropriate to ensure future profitability. On 30 June 2019, Helloworld Travel sold its Insider Journeys business for a total consideration of \$2.4 million. Insider Journeys was not considered core to Helloworld Travel's operations, nor its future business direction.



Business operations overview

During the current year, Helloworld Travel continued to expand through strategic business acquisitions that complement the Group's existing operations, further strengthening Helloworld Travel's fully integrated network of retail, wholesale, inbound and travel management brands. The FY18 acquisitions including the Magellan Travel Group, Flight Systems Group and Asia Escape Holidays were fully integrated into the wider Group during the year. In the current year, Helloworld Travel acquired the Show Group business, a leading travel management and freight logistics specialist and Williment Travel Group, a New Zealand sports tour specialist. These acquisitions further enhance the Group's travel portfolio, providing additional expertise, knowledge and capability and expansion of the Group's future product offerings. The continued business expansion will assist in driving profitable revenue growth in future financial years and provide enhanced travel solutions to our member network, partners and customers.

Helloworld Travel continues to invest in technology innovations across the business to improve the efficiency of travel distribution and broaden our product offerings. Technology developments include our retail ResWorld mid office system, white-labelled agent websites, upgraded Air Tickets booking system, relaunch of wholesale agent platform ReadyRooms and new cruise platforms, enhancement of corporate customer interface solutions, improved mobile booking solutions and the deployment of the Amadeus 'Cytric' product in the QBT brand.

Helloworld Travel has made significant investments in consumer marketing, advertising and sponsorship to strategically accelerate Helloworld Travel's brand presence in Australia and New Zealand. Consumer marketing and advertising initiatives included the strategic travel media partnership with News Corporation and the launch of the Helloworld television program. This strategy is proving successful with significant increases in Helloworld Travel's brand recognition and awareness. Over the past two years, prompted awareness has increased from 60% to 71% and unprompted awareness increased from 22% to 31% in Australia while in New Zealand, prompted awareness increased from 25% to 68% and unprompted awareness increased from 9% to 26% over the past three years.

Helloworld Travel's retail networks grew to 2,447 members as at 30 June 2019, a net increase of 224 members during the current year reflecting the increased value propositions offered by our various networks to our members. The increase includes 30 new Helloworld Travel branded agencies across Australia and New Zealand opening during the current year. The New Zealand network grew by 207 members led by the additions of large associate members Gilpin Travel, Barlow Travel, Atlas Corporate Travel and the NZ Travel Brokers group. The New Zealand retail network expansion adds approximately \$300.0 million of annualised TTV to Helloworld Travel, with the full year benefit to be reflected in the FY20 financial results. Magellan Travel Group and MTA continue to perform and contribute strongly to the Group's results.

The wholesale businesses continue to improve product offerings with the relaunch of the wholesale agent platform, ReadyRooms and implementation of new cruise booking system. The enhanced ReadyRooms platform has been well received by agents with sales through the platform increasing significantly compared with the prior year. Inbound operations performed below the prior year impacted by movement in client requirements in the first half of FY19 and a rationalisation of distribution channels with certain partners. Technology upgrades completed in the second half of FY19 have the Inbound operations well placed to grow market share in future years.

Helloworld corporate businesses secured significant new clients and client extensions during the year, including:

- QBT received a two year extension through to 30 June 2021 on its Deed to provide travel management services to the Whole of Australian Government.
- QBT was appointed the sole provider of travel management services for the South Australian Government.
- Inspire Travel Management was selected to manage Australia Post's significant corporate travel program, which follows its key account wins with energy provider ATCO and superannuation fund Cbus during the current year.
- APX was reappointed to the New Zealand All of Government (AoG) Travel Management Services five member panel, effective from 1 July 2019 for an initial five year term with two further two-year renewal options.

Helloworld Travel's corporate division has also expanded through the acquisition of Show Group in December 2018. Show Group is a valuable addition to the Helloworld Travel corporate division, with both its travel and freight businesses.



The Group continues to be well recognised in the industry as a leading travel distributor. In Australia, at the July 2019 National Travel Industry Awards (NTIA), Magellan Travel was awarded the Best Non-Branded Travel Agency Group and Veronika Panzic from Show Group was awarded Best Travel Consultant Corporate. Qantas Holidays / Viva Holidays was awarded Best Wholesaler – Domestic Product while Air Tickets was awarded Best Agency Support Service, both awards were won for the second successive year. In New Zealand, at the September 2018 Travel Agents Association New Zealand (TAANZ) NTIA, Helloworld was awarded Best Travel Agency Brand. In addition, The Travel Brokers was awarded Best Broker Brand and the wholesale business (GO Holidays) won the award for Best Wholesale Brand for the fifth consecutive year.

The Helloworld Travel Community Fund has grown its presence to support some very worthy causes and actively encourages Helloworld Travel staff to recommend activities in their local community for the Group to support. During the current year, support and donations have been provided to a wide variety of worthy causes including the School of St Jude in Tanzania, the Auckland Women's Refuge, Share the Dignity campaign, Family Life Christmas Appeal, Bella Pollacco Benefit Fund and the Buy a Bale campaign.

Liquidity and funding

As at 30 June 2019, the Group has stable total cash on hand of \$204.8 million (30 June 2018: \$203.5 million) and external borrowings of \$56.4 million (30 June 2018: \$41.5 million) with available headroom in its debt facilities of \$21.0 million (30 June 2018: \$7.8 million). The overall level of debt held by Helloworld Travel remains low compared with the cash balance, total assets and market capitalisation of the Group.

Helloworld Travel maintains a strong balance sheet that supports future business expansion and initiatives, while returning surplus cash funds to shareholders.

Dividend

The board has resolved that the company will pay a fully franked final dividend of 12.5 cents per share. The dividend is to be paid on 17 September 2019. This brings the total dividends declared, fully franked, for the current year to 20.5 cents per share compared with 18.0 cent per share in the prior year.

Outlook

The travel industry continued to grow strongly during the past year in all segments in which the Group operates, however, the growth rate slowed in the final quarter of FY19. Economic growth both domestically and globally, is expected to continue but at more moderate rates and this may flow through to the travel markets in which Helloworld Travel operate. Lower growth and inflation estimates have resulted in a reduction in interest rates, which may provide a stimulus to the economy and increase household incomes.

International tourist demand to Helloworld Travel's key markets have consistently outpaced global economic growth and all indications are that this trend will continue. The number of outbound trips is also expected to continue to grow. From a corporate travel perspective, economic performance remains stronger but more moderate than in the previous year. Business confidence will continue to drive corporate travel activity.

In the current year, Helloworld Travel has successfully grown the scale of its business in Australia and New Zealand, whilst benefiting from a focus on profitable revenue streams and continued cost control.

The Group focus in FY20 will be on continuing to grow our TTV, revenue margin and EBITDA margin. The Group expects to benefit in FY20 from its current investments in technology developments, enhanced travel platforms, expanded product offerings and increased brand recognition.

Helloworld Travel is focused on delivering for shareholders, agents, partners and consumers. Helloworld Travel's priority is to future proof our agents and the business through technology, training, product and profile supported by our omni-channel strategy. As a result, Helloworld Travel is well positioned for sustainable long-term growth.



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.
- HLO has 2000 staff located in Australia, New Zealand, Fiji, the USA, Asia, India and UK/Europe and over 2400 members of its travel agency networks in Australia and New Zealand.
- 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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