



29 October 2020

The Manager
Markets Announcement Office
ASX Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam,

Please find attached the Helloworld Travel Limited 'Helloworld September Quarter Trading Update' ASX Announcement.

Yours faithfully,

A handwritten signature in black ink, appearing to be "D. Hall", written over a large, light grey oval shape.

David Hall
Chief Financial Officer
Helloworld Travel Limited
Ph: +61 3 9867 9600

Authorised for release by Helloworld Travel Limited's Board of Directors.



ASX ANNOUNCEMENT

Melbourne, 29th October 2020

HELLOWORLD SEPTEMBER QUARTER

TRADING UPDATE

Helloworld Travel Limited (ASX: HLO) provides the following trading update for the September quarter, 2020.

Recent trading results and liquidity position

- HLO's TTV for the September quarter (based on unaudited management accounts) was \$176.8m, down 90.6% on the same period last year. TTV for both July and August was circa \$51m but September saw TTV rise to \$74.4m for the month.
- Revenues for the period totaled \$12.4m (down 86.8% on the prior comparative period (pcp)). After Operating Expenses of \$16.4m (down 76.6% of the pcp) underlying EBITDA loss for the quarter was \$(4.1)m, well below the \$6m forecast loss for the period. July and August saw losses of circa \$1.6m but September losses were reduced to \$0.8m.
- On a geographical basis, in Australia, underlying EBITDA was \$(2.4)m for the quarter, in NZ \$(1.6)m and our Rest of World (ROW) operations \$(0.1)m.
- At the end of September 2020, HLO had total free cash of \$105m. HLO prepaid \$20m of its bank debt on 23rd October 2020 reducing free cash to circa \$85m and increasing HLO's undrawn debt headroom by the amount of the prepayment to circa \$29m. This will reduce HLO's interest expenditure by approximately \$420,000 per annum.

Impact of COVID-19 and HLO's continuing cost saving initiatives

- Total incoming international air arrivals decreased by 98% between 1st March 2020 and 25th October 2020 and outbound numbers decreased by 97.7% over the same period.
- HLO expects aggregate TTV and revenues from travel operations to remain at around 10 - 15% of previous levels until early 2021.
- HLO responded quickly to the evolving COVID-19 crisis, reducing personnel costs by 75% from the beginning of April and this has held through to the September quarter where employee costs were down 75% on the pcp in FY20.
- As at the end of September, HLO had just over 1,000 personnel in Australia, with 764 personnel working (equivalent to 507 FTE roles) and 254 personnel stood down.
- In New Zealand, HLO has 93 personnel working (equivalent to 78 FTE roles) while our ROW operations have 55 personnel working (equivalent to 48 FTE roles) with an additional 43 personnel stood down in Fiji.

- Net salary costs have reduced from an average \$12m per month in February 2020 to an average \$3m per month in September 2020, net of Government allowances.
- In other key cost lines, comparing February 2020 with September 2020, HLO's technology and comms costs are down 44%, net advertising and marketing is down 94%, occupancy down 20% and overall non-personnel overheads were down 56% for the quarter.
- In HLO's March quarter 2020 trading update, we stated: *"HLO's cost saving initiatives are expected to reduce net monthly operating expenditure, including the benefit of Government allowances and other operations, from \$23m pcm to approximately \$2m pcm (excluding non-cash charges) from mid-April onwards."* HLO has continued to deliver on that commitment.
- Total one-off cash redundancy costs of \$2.1m were incurred in the September quarter, mainly in relation to a business restructure in New Zealand.
- HLO's retail and wholesale TTV and revenues were down over 95% for the September quarter compared to last year, while corporate TTV and revenue were down 60%.
(Note: these numbers are based on availed (travelled) TTV and revenue, not new bookings)

HLO Retail networks

- HLO's retail networks in Australia and New Zealand have remained largely intact so far. However, in the absence of any industry specific Federal Government assistance in Australia or the opening of State and trans-Tasman or broader trans-Pacific borders, the liquidity runway for agents is getting shorter.
- Agents in some States are benefiting from specific or generic business assistance from Governments. In New Zealand, agents will benefit from the recently announced Ministry of Business, Innovation & Employment (MBIE) assistance package of NZ\$47m for travel agents.
- HLO's network status as at end September 2020 was:

Networks Australia	01/03/2020	30/09/2020
Helloworld Branded & Associate Networks	502	500
Magellan Travel	121	121
Helloworld Business Travel	63	63
My Travel Group	777	776
MTA	432	431
Total Australia	1,895	1,891

Networks New Zealand	01/03/2020	30/09/2020
Helloworld Branded & Associate Networks	82	72 ⁽¹⁾
My Travel Group	128	109
Travel Brokers	291	249
Total New Zealand	501	430

(1) Includes 13 outlets who are currently operating from home.

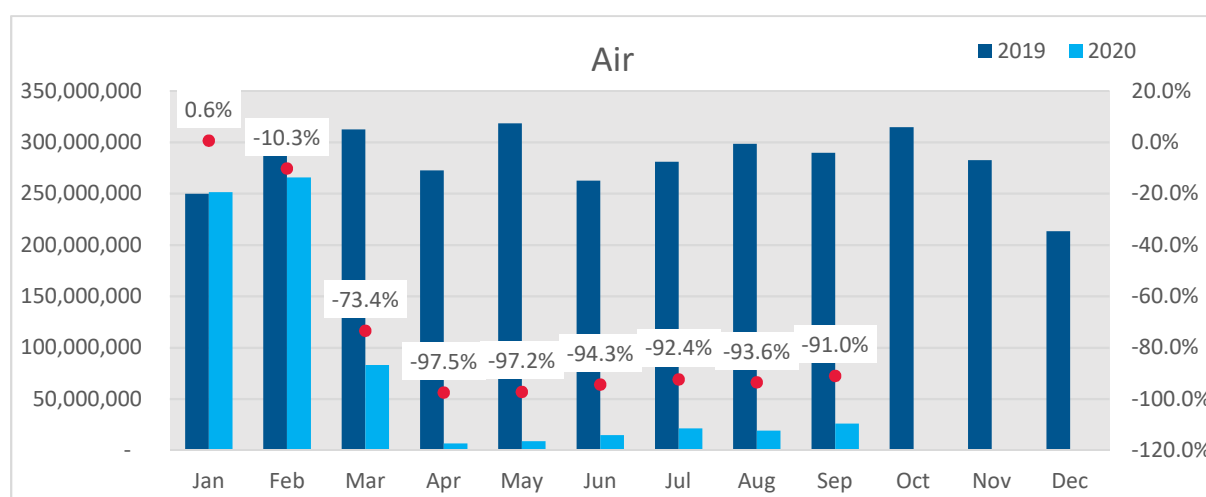
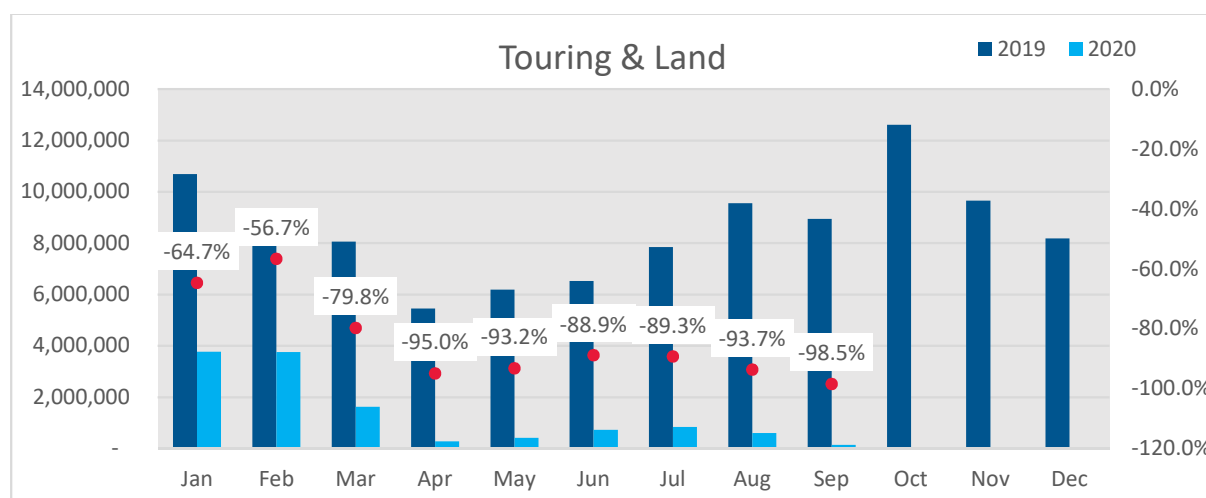
- A number of agencies have effectively “hibernated” their businesses until 2021 and a number have moved operations to home or to shared premises with other agencies while some multi agency owners have consolidated their agency businesses. While this has resulted in a reduction in outlets, HLO has also seen a number of new members join in Australia over the last six months.
- In New Zealand, branded and associate store numbers have decreased by 10 with a further 13 agencies operating from home until conditions improve while travel broker numbers have declined by 14.4%.

HLO Corporate businesses

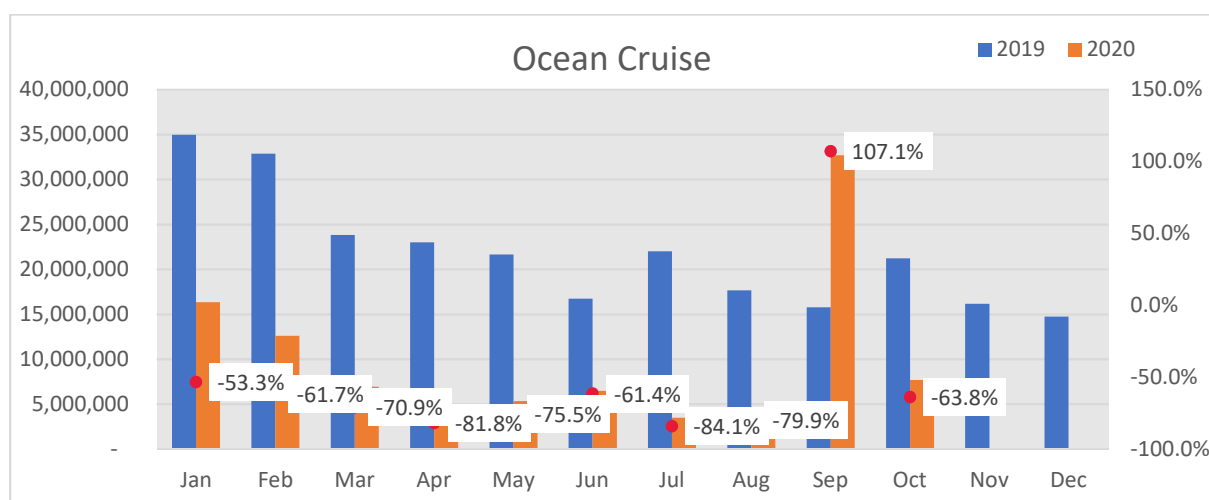
- HLO’s corporate businesses comprise QBT, TravelEdge, Show Travel and APX (NZ).
- Australian operations are running at circa 40% of TTV and revenue compared to last year, while NZ TTV and revenue is running at circa 20% of last year’s September quarter numbers.

HLO Retail business in Australia

- HLO’s retail business in Australia continues to be dramatically impacted by domestic and international border closures.
- The following graphs set out HLO’s new bookings for HLO’s preferred Touring & Land supplier sales and for preferred Air Carrier sales since January 2020.



- The following table sets out future bookings for cruise product by HLO's retail networks in Australia for 2020.
- Despite being down 80% for the period May to August 2020 (driven largely because of cruise cancellations globally and the very limited amount of available cruise product for future bookings) HLO's cruise sales increased 107% in September 2020 due primarily to the success of the Princess Cruises 107 day round the world cruise Sydney-Sydney departing May 2022, which was released for sale in early September.
- This shows the extraordinary pent up demand for travel, for cruise travel, for international travel and for travel with Princess Cruises. 26% of those making a booking had a Future Cruise Credit with Princess as a result of cancelled cruises in 2020 and 2021 while 74% did not and these were new bookings with new customers.



Outlook

- Total international air arrivals have decreased by 98% between 1st March and 25th October 2020 and outbound numbers are down 97.7% over the same period.
- Passenger numbers on Australia's key domestic city pairs since March are down 89% this year, falling from sixty-five million to just over seven million. On a weekly basis that's 1.25m per week to 137,500 per week. Passenger numbers on flights from Melbourne to Sydney, Brisbane, Adelaide, Canberra and Perth and all down by 91% while Sydney to Brisbane traffic is down 71%.
- HLO is planning for revenues of 10 - 15% of previous levels for the December quarter, increasing to 15 - 20% in the March quarter 2021.
- HLO's wholesale businesses have benefited from intra-State travel in Queensland, New South Wales and Western Australia booked via the retail network with Brisbane-Cairns and Perth-Broome becoming the busiest two city pairs for Qantas in recent months.
- HLO expects to see the re-opening of the east coast domestic travel market by early December 2020 and of the broader trans-Tasman market from mid-December 2020. Further Pacific island bubbles may open up with Australia and New Zealand in the first half of 2021. WA has committed to keeping its borders closed until April 2021.

- HLO remains optimistic that further safe travel corridors (“travel bubbles”) will be established with countries such as Japan, Singapore, South Korea, China and other relatively COVID safe nations throughout 2021 with direct non-stop air services opening up.
- HLO does not expect long-haul international outbound travel to resume with any material volume to UK/Europe or the USA until late 2021 or early 2022 and a full return to pre-COVID levels is conditional upon a vaccine or cure for COVID-19 having been developed, approved and widely distributed.
- Based on current expectations, HLO will continue to incur underlying EBITDA losses of \$1.5m - \$2.0m per month for the next six months, moving to a break-even or better position in Q4 FY21. This is conditional upon all domestic borders being open by Q421 and reasonable travel bubbles being open around the Pacific, Japan and Asia for Australians and New Zealanders.
- HLO has sufficient liquidity to maintain operations well into 2022 or longer based on current liquidity levels and cash burn rate.

This announcement has been approved by the Board.

David Hall
Company Secretary

- ENDS -

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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