

27 November 2020

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

Dear Sir/Madam,

Please find attached the CEO's address and AGM Presentation to be presented at Helloworld Travel Limited's 2020 Annual General Meeting, being held today at 10:00am AEDT.

Yours faithfully,



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

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



CEO's Address

Melbourne, 27 November 2020

Welcome

Thank you for joining us this morning and for your continued support of Helloworld Travel Limited.

In particular, I welcome back our many long term shareholders and of course welcome our new shareholders and particularly those who participated in our equity raising back in August.

Financial Results

The financial year ending 30th June 2020 was initially a story of growth, development and a continued strengthening of our retail leisure and corporate offerings through our networks and with our own transactional business in wholesale, corporate travel and ticketing.

This came to an abrupt end in March 2020 and we were forced to effectively go into survival mode as international travel was rapidly shutdown followed closely by domestic travel interstate and in many cases intrastate travel.

March 2020 saw our TTVs drop by approximately 50% on 2019 and we incurred, for the first time in my tenure as CEO of the business, a loss for the month.

With an enormous amount of effort and co-operation from all the team at Helloworld and its subsidiary businesses we were able to dramatically reduce our costs in the June quarter in line with rapidly diminishing TTV and revenues and although FY20 did not meet any of our forecasts or expectations we were able to generate an underlying net profit after tax for the year of \$16 million dollars which in the circumstances was an exceptional outcome.

I will talk about FY21 and beyond in the second half of my presentation but I do want to highlight our focus across the last quarter of FY20 which was to rapidly bring our costs down to ensure we could survive for a sustained period, possibly 18-months or longer, with our existing cash reserves while continuing to provide the essential services that our customers in our different divisions required.

As May and June unfolded, it became clear that international and domestic travel was going to be shutdown for a considerable period of time and we then turned our focus to addressing the convoluted mechanics of refunding hundreds of millions of dollars to tens of thousands of agents and customers and I'm very pleased to say that after some initial hiccups and delays, we were able to re-engineer and adapt the processes to slowly get on top of the issue and we are continuing to manage this as quickly and as efficiently as we can.

At the same time we reached out to our network members in Australia and New Zealand who were facing the catastrophic conditions that COVID-19 brought upon the industry and all members of our various networks in Australia and New Zealand began the very challenging process of going into some state of partial hibernation while taking advantage of JobKeeper in Australia and Wage Subsidy in New Zealand together with seeking revised terms and conditions on their property lease costs and other overheads. Many agents were also able to

access financial assistance packages from State Government grants and I thank those Governments who made available small business support packages to so many small to medium sized enterprises.

Acknowledgements

I want to acknowledge the extraordinary job that all the agents that are members of Helloworld networks have done in both Australia and New Zealand to survive, to look after their customers, to manage the cancellation and refund processes and to remain positive in the face of extreme adversity. Over 85% of our network members remain in business and are now starting to see green shoots with a recovery in domestic travel, trans-Tasman travel and importantly international enquiries for travel in the latter part of 2021 and into 2022.

Can I also acknowledge the extraordinary contribution of all of the personnel at Helloworld Travel and its subsidiaries across Australia, New Zealand, Fiji and other parts of the world. At the beginning of March 2020 we had 1,950 personnel working in the business and while it was very difficult to have to reduce our overall headcount, as we head into the end of 2020 we have over 1,100 personnel employed in the business, mostly in Australia and New Zealand.

Many of them have worked on a part-time basis since March while others have been stood-down for that period of time but as we roll into 2021 we are looking forward to welcoming back all of our existing personnel, initially mostly on a part-time basis but as 2021 unfolds we will bring back as many people as possible as quickly as possible to a full-time role within the business.

I would like to thank all of Helloworld's supplier partners around the world. It's been a most extraordinary time, a time of tremendous challenge, stress and difficulty but by and large our supplier partners have worked very co-operatively with us, particularly around the reengineering of the refund and future-credits process, and I'm pleased to announce that we've signed a 3-year deal with Qantas and we've signed a 1-year deal with Virgin together with resigning commercial arrangements with other major carriers and with our cruise partners, tour operator partners and other key suppliers operating in the leisure and corporate sectors.

September Quarter 2020

As you will know from our September quarter trading update, HLO sustained EBITDA losses of \$4.2 million in the September quarter, falling below the range of \$1.5-\$2.0 million a month in underlying EBITDA losses we predicted back in March and April 2020.

We've continued to maintain a very tight rein on our overheads and we will continue to do so into the future. Many of these savings have now been locked in permanently and we will come out the other side of this as a leaner more efficient travel distribution business by ensuring we capture these cost saving initiatives that we've taken advantage of over the course of the year.

At the same time, we've continued to invest in the technologies we need to provide our customers with state of the art systems in our retail, wholesale, corporate and air ticketing divisions.

We have a large and sophisticated technology stack across our businesses and we continue to develop and roll out critical enhancements across all of them and I am very pleased to advise that our continued investment in our mid-office platform, ResWorld, continues to deliver a very efficient and productive mid-office system for our retail leisure agents in

Australia. In 2021 we are committed to rolling out this platform in New Zealand and in the corporate sector in both Australia and New Zealand and this will be a core part for the value proposition we offer our member agents in both the leisure and corporate sectors.

Our Q1 update in late October saw TTV of \$177 million down 90.6% with revenues down accordingly. We are already seeing slightly better numbers for October and our pipeline for retail and wholesale bookings is improving every day. While the significant uplift in wholesale bookings through our various brands for travel within Australia, New Zealand and within that Trans-Tasman bubble will not replace the very significant revenues we had from global international travel it will at least in the short-term provide a much needed boost to our revenues and the revenues of our retail member agents.

We have all seen the recent announcements around the success of the Pfizer vaccine that resulted in a very welcome morale boost to not only the travel industry but to the whole world and while it will take some time for this vaccine to be distributed and administered it appears to be a very realistic and positive pathway to a return to “normal” by 2022 and we welcome this news with cautious optimism and considerable hope.

We’ve also been buoyed by some very positive responses to some of our recent domestic campaigns including campaigns around cruise as we recently announced we’ve added the CruiseCo business to our cruise wholesaling operations. This is a very significant player in the cruise wholesale business, it complements our very successful Seven Oceans Cruising business and we are confident that through these businesses and with the support of our agency networks we will be in a very strong position to market and sell global cruise products for departure later next year and into 2022 and beyond.

We’re also confident that all state borders, with the possible exception of Western Australia, will be open by the end of this year and hopefully WA will follow suit early in 2021. Once that happens there’ll be a significant uplift in travel and we know that travel agents will be needed more than ever to secure and organise travel experiences for their customers around Australia, New Zealand and the Pacific but more significantly around the world once it begins to open up again.

Having said that most of the revenue generation opportunities for Helloworld in Australia and New Zealand relate to travel within our two great countries and as we’re already seeing there is a massive demand for that. In our corporate sector over 70% of all travel is domestic and so with the opening up of the state borders and the Trans-Tasman international border we believe this will drive a significant uplift in corporate business from January onwards.

In the new year we would anticipate specific bilateral bubbles to open up with countries throughout Asia although we do not expect travel to Europe/UK or to the USA to open up in any meaningful way until at least the last quarter of 2021.

So, the remainder of this financial year will continue to be challenging and we will continue to incur underlying EBITDA losses in the vicinity of \$1.5-\$2 million per month at least until the fourth quarter of FY21 however depending upon what other international bubbles may have opened up by then we’re hopeful that we would be close to a break even position by the last quarter of the current financial year.

Beyond that and looking forward into FY22, given the recent extraordinary success of the vaccine trials it is not unreasonable to assume the rest of the world will start to open up throughout the second half of 2021 and into the first half of 2022 and while we do not believe things will return to their previous levels in FY22 they will certainly continue to get better and better and we're hopeful that FY23 will see a return to our previous TTV and revenue levels.

We expect that our retail travel agencies will experience a very significant increase in demand in 2021 firstly because their services will be in great demand given the complexities of travel in a post-COVID world but also because the relative level of competition across Australia will be dramatically reduced given the recent announcements by some of our friendly competitors about the shrinkage of their own retail footprints in Australia and New Zealand.

Conclusion

In conclusion, I stand before you today with a renewed degree of optimism about the travel industry and about our business. During the year it's not that I couldn't see the light at the end of the tunnel but it was more that I couldn't actually tell whether or not we were even in the tunnel.

Together with our fantastic Executive Team and the Board we have managed all of the issues that come with a global crisis such as this but as we head into the last month of 2020 I know in talking to my fellow senior executives in the business, to our many colleagues and partners throughout the industry and to our customers in the corporate and leisure world that there is now a sense of optimism that the worst of this pandemic and all the carnage it's brought is coming to an end and the world is starting to right itself, as it was always inevitably going to do, and people can start getting back to enjoying all of the extraordinary experiences that travel brings them right around the world.

Back to you Garry...

2020 Annual General Meeting of Helloworld Travel Limited

27 November 2020



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This presentation contains forward-looking statements which can be identified by the use of words such as “may”, “should”, “will”, “expect”, “anticipate”, “believe”, “estimate”, “intend”, “scheduled” or “continue” or similar expressions. Any forward looking statements contained in this presentation are subject to significant risks, uncertainties, assumptions, contingencies and other factors (many of which are outside the control of, and unknown to, Helloworld Travel Limited and its directors, employees, agents or associates), which may cause the actual results or performance to be materially different from any future result so performed, expressed or implied by such forward looking statements. There can be no assurance or guarantee that actual outcomes will not differ materially from these statements.

This document includes the presentation of results on a statutory basis as well as non-statutory information. All financial results are presented in AUD unless otherwise stated and rounded to millions. Data used for calculating percentage movements has been rounded to thousands.

Key non-statutory financial metrics

Key non-statutory financial metrics

Total Transaction Value (TTV): represents the price at which travel products and services have been sold across the Group, as agents for various airlines and other service providers, plus revenue from other sources. The Group's revenue is, therefore, derived from TTV. TTV does not represent revenue in accordance with Australian Accounting Standards. TTV does not represent Group cash inflows as some transactions are settled directly between the customer and the supplier.

Underlying Earnings before Interest, Taxation, Depreciation and Amortisation (Underlying EBITDA): is a financial measure which is not prescribed by Australian Accounting Standards but is the measure used by the Board to assess the financial performance of the Group and operating segments.

Underlying EBITDA represents earnings before interest expense, tax, depreciation and amortisation, adjusted to:

- include depreciation on right of use assets and interest expense on lease liabilities and make good provisions arising from the application of AASB 16; and
- exclude large non-recurring items described in note 6 (c) of the Annual Report.

Underlying Profit before Taxation (Underlying PBT): is a financial measure which is not prescribed by Australian Accounting Standards but is the measure used by the Board to assess the financial performance of the Group. Underlying PBT represents:

- Underlying EBITDA; less
- Depreciation and amortisation, excluding depreciation on Right of Use assets; and
- Finance expense, excluding interest on lease liabilities.

Underlying earnings per share (Underlying EPS): is a financial measure which is not prescribed by Australian Accounting Standards but is the measure used by the Board to assess the financial performance of the Group. Underlying EPS represents:

- Underlying PBT for the respective period, net of corporate taxation at 30%; divided by
- Either the basic or the diluted weighted average number of shares.



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2020 ANNUAL GENERAL MEETING

Mr Garry Hounsell
Chairman

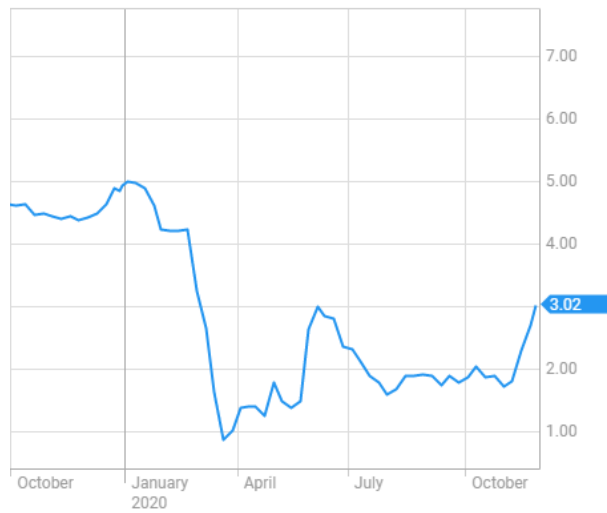


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Mr Andrew Burnes
CEO & Managing Director

Share price – 12 month period

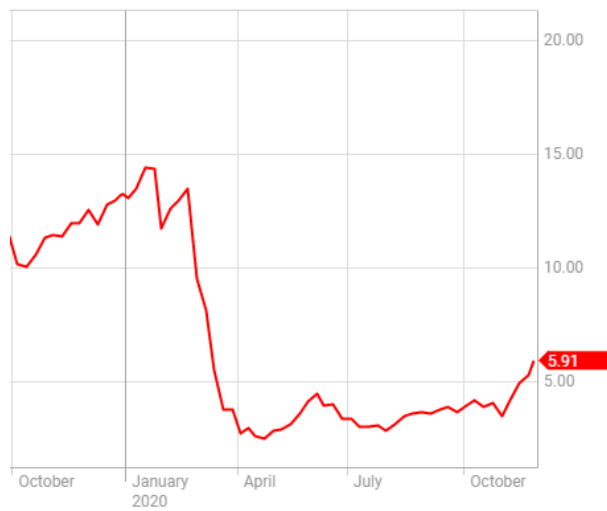
Helloworld Travel Limited



Flight Centre



WEBJET



Corporate Travel Management



The trajectory before COVID-19

- Since the completion of the merger between Helloworld and AOT Travel Group in 2016, Helloworld has reported consecutive periods of double digit EBITDA growth from FY2016 to FY2019.
- From FY2016 to FY2019, Helloworld has successfully completed and integrated several acquisitions and have implemented significant cost reduction strategies as evidenced by the company's results.
- Several of the additional cost saving initiatives implemented as a result of the COVID-19 pandemic are expected to yield longer term benefits and further improve margins once domestic and global travel return to previous levels.

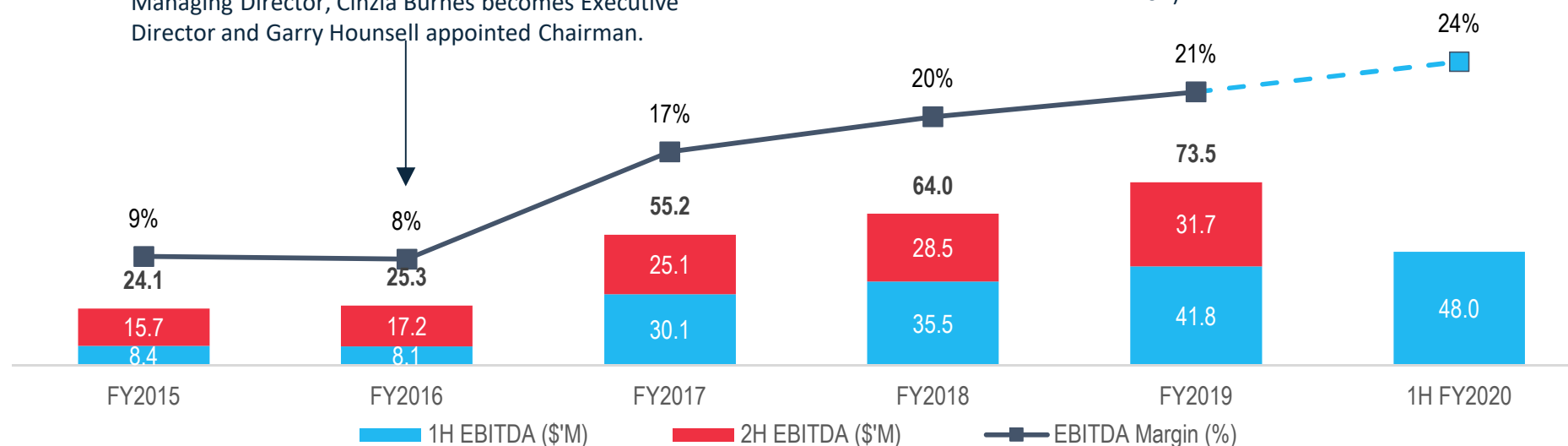
Helloworld Reported EBITDA (A\$'millions) FY2015 – 1H FY2020

February 2016

- Merger of Helloworld and AOT Travel Group completed.
- Andrew Burnes appointed Chief Executive Officer and Managing Director, Cinzia Burnes becomes Executive Director and Garry Hounsell appointed Chairman.

March 2020

- Helloworld withdrew guidance on 11 March 2020 due to COVID-19. Prior to this, Helloworld expected to deliver underlying EBITDA within the range of the earnings guidance previously provided (being \$86.0 million to \$90.0 million).



Source: Company reported results.

Notes:

- 1H FY2020 represents underlying EBITDA and excludes the impact of AASB 16: Leases. The FY2019 Underlying EBITDA result is presented in the FY2020 financial statements.

Unrivalled portfolio of leading travel agency networks



2,496 at 30 JUNE 2020 | 2,447 at 30 JUNE 2019

- The Company is assisting our ~2,500 retail travel agents and travel brokers to manage their way through this period until demand returns including suspending all franchise and marketing fees from 1 April 2020 to 31 March 2021 and we are working with them to promote available destinations with a wide range of domestic products now in market.
- Our network of high calibre leisure and corporate agency members across our six Australian and four New Zealand networks supported by strong commercial partner offerings, professional network support and new technology innovations.
- A range of network offerings to cater for the differing business needs of travel agencies throughout Australia and New Zealand.
- A number of agents have chosen to close their businesses over recent months and others have indicated they intend to “hibernate” until travel demand returns.

Trading update Q1 FY21 and Outlook

- In the September quarter, HLO sustained an underlying EBITDA loss of \$4.2m falling below the range of \$1.5-\$2.0m a month predicted back in March and April 2020; maintaining a very tight rein on overheads.
- TTV of \$177m down 90.6% with revenues down accordingly. We are seeing much better numbers for October and our pipeline for retail and wholesale bookings is improving every day.
- HLO expects to incur underlying EBITDA losses in the order of \$1.5m - \$2.0m per month for the next six months, moving to a break-even or better position in Q4 FY21.
- HLO has sufficient liquidity to maintain operations well into 2022 or longer based on current liquidity levels and cash burn rate.

Business Expansion

- HLO has made a number of strategic business acquisitions to complement the Group's existing operations and expand future product offerings to an increased network of agents, suppliers and customers.
- On 30 June 2020, HLO disposed of its USA Wholesale operations. The business was not considered core to Helloworld Travel's future strategy.
- On 23 November 2020, HLO acquired CruiseCo expanding HLO's cruise offering in Australia and New Zealand.



Timeline of acquisitions & disposals



Our Brand Portfolio



Looking forward into FY22 and beyond

Given the recent success of the vaccine trials, HLO expects:

- The rest of the world will start to open up throughout the second half of 2021 and into the first half of 2022.
- Through FY22, trading conditions will get better and we're hopeful FY23 will see a return to our previous TTV and revenue levels.
- Our retail travel agencies will experience a very significant increase in demand in 2021 with their services in great demand.
- People can start getting back to enjoying the extraordinary experiences that travel brings them right around the world.



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2020 ANNUAL GENERAL MEETING

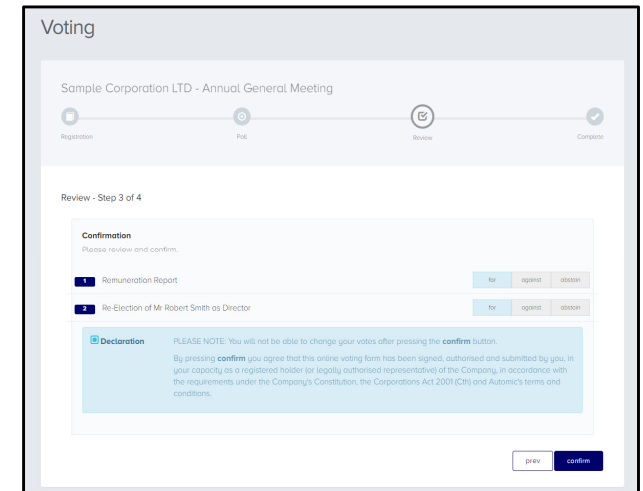
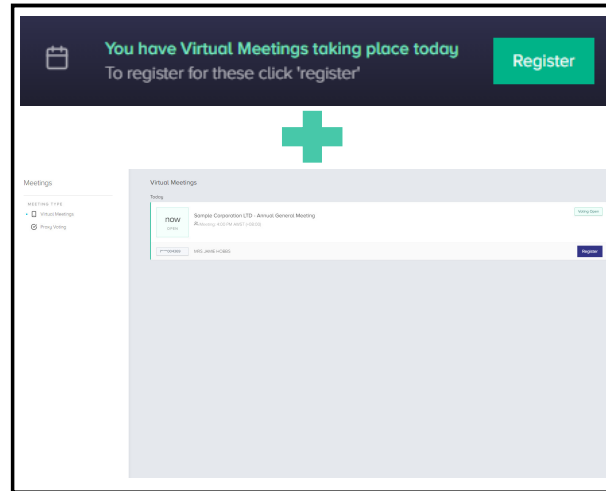
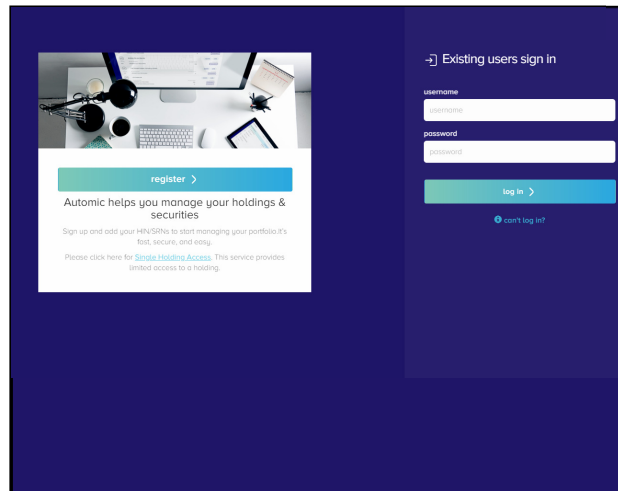
Formal AGM Business

Registration and Voting

1. Log in or register at:
<https://investor.automic.com.au/#/home>

2. Click "register" in the banner at the bottom of your screen, then select "register" for this meeting

3. Record your vote. Once you confirm it is lodged and final



To contact support:
Call 1300 816 159 or open live chat from the Investor Portal

Adoption of Remuneration Report

<u>Proxy Votes</u>	Number	Percentage
For	74,275,433	99.62
Against	164,695	0.22
Open-Usable	121,694	0.16
Abstain	24,241,270	-
Excluded	166,667	-

Election of Garry Hounsell

Resolution 2.1

“That Garry Hounsell, who retires by rotation in accordance with the Company’s Constitution and the ASX Listing Rules and, being eligible, is elected as a director of HLO.”



Election of Directors



Questions?



Election of Directors

<u>Proxy Votes</u>	Number	Percentage
For	98,242,885	99.79
Against	83,905	0.09
Open-Usable	121,912	0.12
Abstain	418,834	-
Excluded	102,223	-



Election of Cinzia Burnes

Resolution 2.2

“That Cinzia Burnes, who retires by rotation in accordance with the Company’s Constitution and the ASX Listing Rules and, being eligible, is elected as a director of HLO.”



Election of Directors



Questions?



Election of Directors

<u>Proxy Votes</u>	Number	Percentage
For	81,964,025	96.05
Against	3,246,884	3.80
Open-Usable	121,912	0.14
Abstain	13,636,938	-
Excluded	-	-



Voting



Poll Procedure

Voting



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Closure of Poll

Results of Poll Announced to ASX

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Thank you

