



ASX ANNOUNCEMENT

Melbourne, 24 February 2021

HELLOWORLD DECEMBER 2020 FIRST HALF RESULTS

Helloworld Travel Limited (ASX: HLO) provides the following trading update for the half year ending 31 December 2020.

INDUSTRY CONTEXT

The travel, tourism, hospitality and transport industries have just been through the most difficult year ever experienced and the first half of 2021 is shaping up to be equally as challenging.

Thanks to the efforts of so many people at HLO, including our amazing agents throughout Australia and New Zealand, the business is in a good position to confront the challenges still ahead and then re-emerge as the world opens up again.

Over the last six months, a number of HLO's business operations have been sold, downsized or closed including operations in Los Angeles, Manila, Mumbai, Shanghai and other centres, while in Fiji our operations have been hibernated.

In both Australia and New Zealand, we've undertaken a restructure and every part of the business has been reviewed to ensure we can provide all critical services to our customers while reducing costs to a sustainable level.

Based on international travel recommencing in 2022 and on a significant uplift in domestic sales as State borders remain consistently open, we are confident this will translate into an enormous demand for travel and most particularly international travel when it resumes. In the meantime, Helloworld will continue to focus on demand for domestic travel while our international borders remain closed while ensuring we are ready to handle the rapid growth in international travel once that becomes possible.

TECHNOLOGY INVESTMENTS

A significant part of HLO's preparations for the post COVID-19 environment is continued technology investments across each of HLO's business divisions.

- In the retail division, we are continuing to develop ResWorld and will roll out the New Zealand version in March 2021 and a corporate version in July of this year. This mid-office platform will provide great benefits to our member agencies and put them in a very strong position to capture much of that uplift in demand when international borders open up.
- HLO's Air Tickets division continues to invest in the SmartTickets technologies including handling NDC requirements that many carriers have begun or will be implementing in the next couple of years.
- HLO's corporate division, comprising QBT, TravelEdge, Show Travel and APX will rollout even stronger propositions across our corporate portals and other related services and HLO has an evolving and exciting suite of apps and other technologies to enhance our existing functionalities.
- In HLO's wholesale business further enhancements are being made to the ReadyRooms platform with the launch of the "Athena" system due in July 2021 together with enhancements to other ground and flight booking systems throughout the wholesale operations.
- And finally, across HLO's inbound systems we continue to invest to ensure this business is ready for the return of international visitors in the beginning of next year.

LOOKING AHEAD

The world will not be shutdown forever and with the rollout of vaccines now underway, we expect it won't be shut down for too much longer.

Despite some hiccups in vaccine productions and distribution these matters are being resolved and, as a number of countries have shown, with the right strategies and applications very large numbers of people can be vaccinated in relatively short periods of time. This will continue throughout the coming months and there will come a time where more people have been vaccinated in any given country than have not and as herd immunity levels are reached in various population centres, countries and ultimately continents, things will return to a new normal.

This may not be the same as the "old normal" but the world will open up again, travel will resume and people's fascination with other countries, cultures and experiences will again be able to be satisfied by actually visiting those countries and cultures and immersing oneself into those experiences. Corporate travellers will be able to meet with their clients, suppliers and other stakeholders, and people will be able to visit their friends and relatives wherever they might be.

This isn't some far away dream. It's what we're heading towards and it's what we will get to in the next 12 - 18 months.

KEY BUSINESS OUTCOMES IN 1H21

- \$50.0 million equity raising in August 2020 has created an extended liquidity runway beyond the end of 2022;
- COVID-19 cash burn minimized, with revenues slowly improving (subject to lockdowns), costs under control;
- New Zealand re-structure completed August 2020;
- Continuing to invest in technologies in key business divisions;
- Streamlining business operations to enable stronger EBITDA margins during recovery phase and into the future; and
- Guidance for FY21 not provided at present due to uncertainty around the lifting of State and Federal Government border restrictions and travel bans.

RESULTS SUMMARY

Helloworld Travel's key financial results for the half year ended 31 December 2020 compared with the prior corresponding period for the half year ended 31 December 2019 are summarised below.

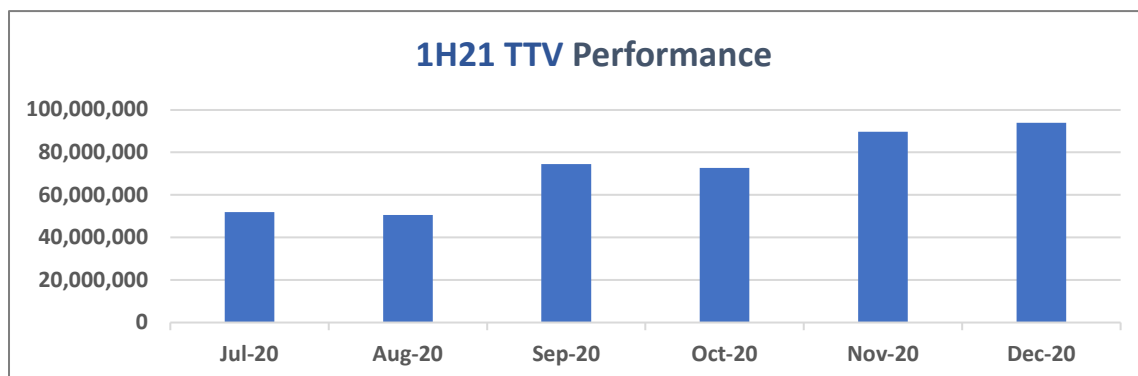
	1H21 \$m	1H20 \$m	Change \$m	Change %
Total Transaction Value (TTV)	432.9	3,559.9	(3,126.9)	(87.8%)
Revenue	29.6	200.0	(170.5)	(85.2%)
Revenue margin	6.8%	5.6%	1.2 ppt	21.4%
Underlying EBITDA	(6.5)	48.6	(55.1)	(113.4%)
Profit/(Loss) before income tax expense	(21.5)	32.9	(54.4)	(165.5%)
Profit/(Loss) after income tax expense	(15.1)	22.7	(37.8)	(166.7%)
Basic earnings per share (cents)	(9.8)	18.2	(28.0)	(153.8%)
Diluted earnings per share (cents)	(9.8)	18.2	(28.0)	(153.8%)

- (i) *TTV does not represent revenue in accordance with Australian Accounting Standards and is not subject to auditor review. 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 the Group cash inflows as some transactions are settled directly between the customer and the supplier.*
- (ii) *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 (refer note 5(c) in the Half-Year Report for further information). 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 and it is not subject to auditor review.*

A reconciliation of Underlying EBITDA to profit before income tax expense is provided in note 5: Operating segments of the Consolidated Interim Financial Statements.

Recent trading results and liquidity position

- HLO's TTV for the December half (based on the half yearly review) was \$432.9 million, down 87.8% on the same period last year. TTV improved throughout each month of the half, with December TTV coming in at the highest level so far in FY21 at \$93.8 million, although this was down 82.3% on December 2019.



- Revenues for the period totaled \$29.6 million down 85.2% on the prior comparative period (pcp). After Underlying Operating Expenses of \$36.1 million (down 76.2% on the pcp) underlying EBITDA loss for the half was \$6.5 million, ahead of HLO's forecast losses announced earlier in the year.
- One-off redundancy costs were \$3.5 million and other exceptional items totaled \$0.5 million, depreciation and amortisation of \$13.7 million and interest expense of \$1.5 million,
- HLO's Loss Before Tax was \$21.5 million for the period compared to a Profit Before Tax of \$32.9 million in 1H20.

Segment Overview

The Australian Segment TTV running at 10 - 15% of pcp adversely impacted by COVID-19, however we are seeing an upward trend towards the end of 1H21 as domestic border restrictions ease and corporate travel increases. Leisure travel TTV has been slower to come back.

- Revenue margin increased from 5.4% in 1H20 to 6.9% in 1H21 which reflects positive impact of the non-TTV correlated call centre revenue and increase of income related to ticketing cancellations and refunds.
- Underlying EBITDA loss of \$3.1m is in line with expectations and have been mitigated to some extent by the rapid cost out initiatives implemented from April 2020. (pcp Underlying EBITDA profit of \$42.3 million)

The New Zealand segment

In NZ TTV fell 89.4% with an underlying EBITDA loss of \$3.1 million, (pcp EBITDA profit of \$6.0 million).

- TTV running at circa 10% of pcp mostly following the same trend as the Australian market with corporate travel achieving 30% of pcp.
- The revenue margin of 6.3% has been maintained in line with the pcp.
- Restructuring the NZ operations were completed in early 1H21, extending the Group's liquidity runway.

The Rest of World segment HLO's Fijian operations TTV declined 100% with an underlying EBITDA loss of \$0.30 million (pcp EBITDA profit of \$0.3 million).

- The U.S Wholesale Division was sold on 30 June 2020. The ROW segment now represents the results of the Fiji inbound businesses only.
- Trading losses relating to the U.S Wholesale Division are excluded from the 1H20 underlying EBITDA.

Liquidity and Funding

At the end of December, 2020, HLO had a cash balance of \$142.7 million (up from June 2020 \$131.9 million). HLO had total free cash of \$81.0 million and undrawn facilities of \$30.2 million. This amount includes:

- \$48.2 million net from the August 2020 equity raise
- Off-set by:
 - \$20 million prepayment of debt
 - \$2.2 million payment related to the disposal of the U.S. Wholesale business

At 31 December 2020, HLO held external borrowings of \$81.0 million (30 June 2020: \$101.0 million) with available head room on its debt facilities of \$30.2 million (30 June 2020: \$6.5 million).

The prepayment of \$20.0 million during the half reduced external borrowings to \$81.0 million.

Business Overview - Continued impact of COVID-19 on HLO's business

- Total incoming and outgoing international travellers to / from Australia decreased by 97% between 1 March 2020 and 31 December, 2020.
- HLO expects aggregate TTV and revenues from travel operations to remain at around 15-20% of previous levels until mid-2021. Any further improvement will depend upon State borders being consistently open in Australia, and the opening of some trans-Tasman and trans-South Pacific "bubbles" and on the pace and success of the global vaccine rollout.
- HLO responded quickly and consistently to the evolving COVID-19 crisis. Personnel costs, which make up circa 55% of overheads, have been reduced by circa 70% over the first half compared to 1HY20.
- Net employee costs for the half were \$21.7 million net of wage subsidies, down 71% on the same time last year.
- In other key cost lines, occupancy costs fell 15.5% to \$1.7 million, HLO's technology and comms costs are down 41% to \$6.3 million, net advertising and marketing is down 98.5% to \$0.08 million and overall non-personnel overheads were down 55.0% to \$15.5 million for the half.
- Total one-off cash redundancy and other termination costs of \$3.5 million were incurred in the December half in Australia and New Zealand.
- HLO received financial assistance from its landlords and other suppliers over the period which helped keep costs down. However, HLO notes that several major suppliers to the business in relation to web and other IT services offered nothing despite the 85% plus drop in revenues and TTV.

(Note: these numbers are based on availed (travelled) TTV and revenue, not new bookings)

HLO Retail networks

- Due to the enormous perseverance and effort of HLO's network members in Australia and New Zealand, HLO's significant retail networks in Australia and New Zealand remain largely intact as at the end of December 2020. The \$128 million Consumer Travel Support Program, announced in December 2020, has assisted agents across Australia while in New Zealand agents have benefited from the NZ\$47.2 million Consumer Travel Reimbursement Scheme.
- Agents in some States in Australia have also benefited from specific or generic business assistance from State and Federal Governments.
- Many agencies have significantly reduced their staff numbers and are running with skeleton staff levels to service refunds, domestic bookings and enquiries for travel in 2022 and beyond.
- HLO has supported the franchise networks by suspending franchise and marketing fees. Since March 2020, HLO has foregone \$7.5 million in fees and currently has all fees suspended through to 30 June 2021.

STATE OF OUR RETAIL NETWORKS IN AU & NZ

- HLO's network status as at end December was:

Networks Australia	01/03/2020	30/09/2020	31/12/2020
Helloworld Branded & Associate Networks	502	500	430 retail agencies + 52 agencies home based
Magellan Travel	121	121	105
Helloworld Business Travel	63	63	63
My Travel Group	777	776	568 +205 agencies home based
MTA (<i>all home based</i>)	432	431	438
Total Australia	1,895	1,891	1,166 agencies + 695 home based businesses TOTAL 1,861

Networks New Zealand	01/03/2020	30/09/2020	31/12/2020
Helloworld Branded & Associate Networks	82	70	60 + 10 agencies home based
My Travel Group	128	109	107
Travel Brokers	291	249	236 *all home based
Total NZ	501	428	167 agencies + 246 home-based agencies TOTAL 413

- Over the last six months, a number of multi-agency owners have consolidated some of their outlets while other agencies have “hibernated” their businesses until such time as international travel resumes and are operating from home.
- In the Helloworld Business Travel Network in Australia, all members have remained open and are servicing their corporate customers as required and these businesses will recover quickly when there is consistency and certainty around State borders.
- In New Zealand, as at 31 December, branded and associate store numbers have decreased by 4 since September, with a further 14 agencies operating from home until conditions improve.
- It should be noted that agencies who have chosen to stop trading have done so in an orderly and professional manner and in accordance with their legal obligations and financial obligations and they continue to manage, retrieve and distribute their clients refunds and any other outstanding customer entitlements such as future travel credits.

HLO Corporate businesses

- HLO’s corporate businesses comprise QBT, TravelEdge, Show Travel and APX (NZ). On a year to date basis, Australian operations continue to run at circa 42% of TTV and revenue compared to last year, while NZ TTV and revenue has increased to 28.7% and 30% respectively compared to 1H20.
- Each month has seen a steady increase in sales from this division and subject to borders being open and trans-Tasman travel being permitted we would expect this to increase to over 50% of last year’s numbers by the middle of the year.
- Both AU and NZ corporate operations are well positioned to return to profitability in the coming year and HLO is investing in enhanced technology solutions for all our customers.

HLO Wholesale & Inbound businesses in AU / NZ

- HLO’s wholesale & inbound businesses in AU and NZ continue to be dramatically impacted.
- Australian TTV for the first half was down 95.8% for the period while in New Zealand TTV fell 97.8% over the half.
- Inbound business to AU & NZ has stopped completely and while we are now seeing reasonable bookings for 2022, we expect most international markets to Australia will be closed off for most of the remainder of the year.
- HLO’s domestic retail sales, particularly in AU, show rapid signs of recovery when borders are consistently open. Consumer confidence is fragile however, we believe that if Australia can maintain open borders between the States and a trans-Tasman bubble can open up, the demand for interstate and trans-Tasman travel will grow dramatically.

Outlook

HLO is investing to ensure we have the best people in the right roles and an ability to scale up as required in the future.

We are investing to make sure HLO's technologies are further enhanced and maximise the opportunities for our agents, our supplier partners, and most importantly for our customers.

We are working with our agency networks to ensure we emerge from this ordeal with a vibrant network of agents ready to serve their communities through organising and managing their travel experiences around the world.

And we are engaging with our supplier partners to support their businesses and work with them to ensure we have the inventory to sell to our customers across in Australia and around the world. the country.

- Medium term, pent up demand for travel is extremely strong and when this pandemic is finally over, we anticipate travel will ramp up rapidly, with significant growth in 2022, 2023 and 2024.
- Development in vaccines, herd immunity, faster testing and other initiatives will see a resumption in airline and cruise travel in certain areas towards the end of 2021 and a resumption in more widespread international travel in 2022.
- Demand for travel services from both retail leisure agents and corporate travel management companies will soar in a world where professional and personalised travel advice and management will be critical to travelers' sense of security and comfort.
- Based on current expectations, HLO will continue to incur cash losses of approximately \$1.0 - \$1.5 million per month for the next six months, moving to a modest profit in 1H22 and improving in 2H22.
- HLO has sufficient liquidity to maintain operations beyond the end of 2022 on current liquidity levels and cash burn rate.

- ENDS -

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

Andrew Burnes, AO
Chief Executive Officer

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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