ASX ANNOUNCEMENT

Melbourne, 21 February 2022

HELLOWORLD DECEMBER 2021

FIRST HALF RESULTS

LOSSES MINIMISED DESPITE CHALLENGING ENVIRONMENT

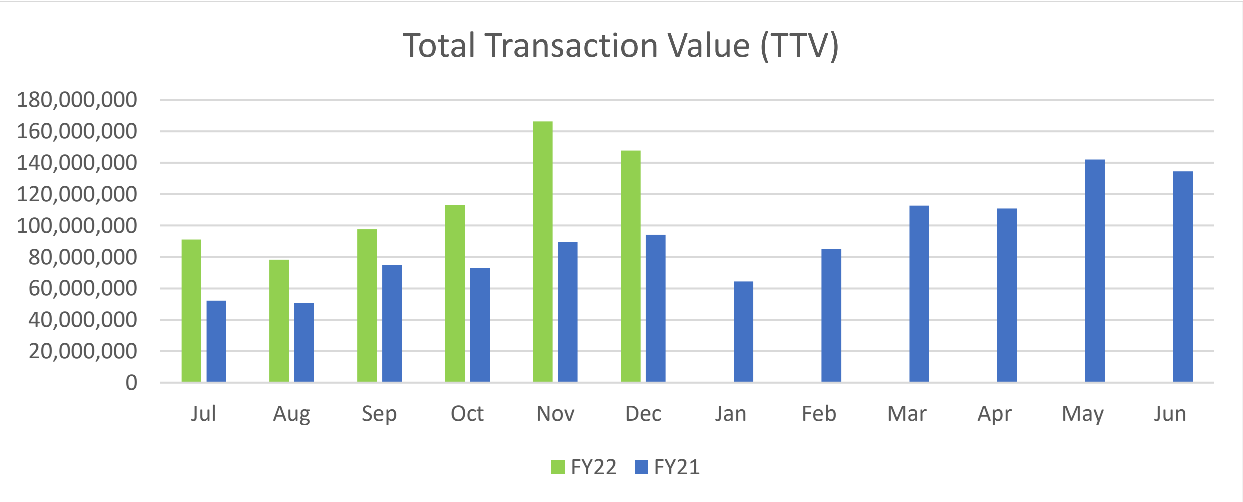
Helloworld Travel Limited (ASX: HLO) provides the following trading update for the half year ending 31 December 2021.

INTRODUCTION

The travel, tourism, hospitality and transport industries have been through the most difficult year ever experienced however the second half of FY22 is improving, and we are confident that the resumption of international travel and with State and Territory borders remaining consistently open, we will see significantly increased demand for HLO's travel product services.

Thanks to the efforts of so many people at HLO, including our amazing personnel and our extraordinary agents throughout Australia and New Zealand, the business is in a strong position to capture the increased demand for professional travel services as the world opens up again.

Over the last two years, we have reviewed all parts of our business to ensure we are providing all critical services to our agency, corporate and direct customers while keeping costs to a sustainable level. As part of this review we identified the opportunity to consider divesting our corporate division and on 15 December 2021, HLO announced it had entered into a binding agreement to sell its corporate and entertainment travel businesses in Australia and New Zealand to Corporate Travel Management (ASX:CTD) for an enterprise value of A$175 million. We believe this transaction is at a compelling valuation to maximise HLO shareholder value and will allow HLO to focus on operations which, pre COVID-19, represented 80% of our TTV. Subject to certain conditions being met, completion is expected to occur during the third quarter of FY22.



TTV increased 60.4% on the previous corresponding period across the first half, peaking at over $160 million in November 2021.

HALF YEAR HIGHLIGHTS

- Half-year Statutory Loss After Tax fell to $14.0 million compared to $15.1 million in 1H21
- Travel related revenue grew $12.5 million on the prior corresponding period (pcp), operating costs declined, and short-term net operating cash outflows remained tightly managed.
- Total Transaction Value (TTV) grew 60.4% on the pcp contributing to a 45.2% increase in travel related revenues. Margins remained steady at 6%.
- Non-corporate and entertainment travel TTV grew 86.6% on pcp.
- EBITDA loss of $5.2 million, down 10.8% or $0.6 million on the pcp.
- Net loss before tax was $19.6 million, a decline of $1.9 million on the pcp of $21.5 million;
- As at 31 December 2021, the Group held cash balances of $87.6 million. Subsequent to period-end, $7.5 million in previously paid company tax was received.
- External borrowings at 31 December totalled $70.8 million after repayment of $10 million in December 2021.
- Bank liquidity covenant reduced from $55 million to $30 million from 31 December 2021 increasing the headroom and flexibility in cashflow. Unused debt facilities totalled $42.6 million at 31 December.
- With current liquidity levels and cash burn, HLO has sufficient liquidity to maintain operations and continue to benefit from the recovery of the travel and tourism market and to see that through to full recovery.
- HLO agreed to sell* the corporate and entertainment travel businesses in Australia and New Zealand to Corporate Travel Management, for an enterprise value of A$175 million.
- Retail agency networks in Australia and New Zealand remain steadfastly resilient with a strong presence to capture expected growth in travel demand in 2022 and beyond.
- Continued investment in technology is delivering improved customer outcomes, operational cost reductions and enhanced capacities across our retail, wholesale, ticketing and inbound businesses.
- Forward bookings have continued to climb with significant leisure bookings now held for travel through to end 2023.
- Australian Prime Minister Scott Morrison announced Australia would open its borders to international tourists from 21 February. HLO, through its inbound subsidiaries, is the largest Inbound Tour Operator in Australia. On 8 February HLO’s inbound businesses received more bookings for the day than the total of the previous two years.
- New Zealand Prime Minister Jacinda Ardern has announced a staged re-opening of New Zealand’s borders, which re-open to Australian travellers from 27 February 2022 and those from around the world in eligible visa categories from 13 March 2022.
- We expect demand for inbound arrivals to Australia, New Zealand and Fiji to steadily increase throughout 2022.
- If travel demand continues to grow on its current trajectory, HLO should achieve a breakeven position or slightly better in the June quarter of FY22 and return to modest profitability throughout FY23.

** Subject to customary conditions including regulatory and customer approvals.*

LOOKING AHEAD

The company has not provided forecasts since the onset of COVID-19 in February 2020 due to the uncertainties around the opening and closing of both domestic and international borders in Australia, New Zealand and around the world.

The opening of Fiji's border, of Australia's international borders on 21 February and the planned opening of New Zealand borders from late February onwards has had an immediate and positive impact in consumer confidence and bookings for both outbound and inbound travel in HLO's key source markets.

Across both Australia and New Zealand agents are reporting an increased volume of both enquiries and bookings although there is still some way to go before agencies return to profitability.

Looking ahead HLO expects the second half of FY22 to continue to improve particularly in Australia where all but one of the state borders are now open and both inbound and outbound international travel has resumed. Most domestic bookings are for the next 3-6 months however many international bookings are being made for travel from May 2022 onwards and we hold significant forward bookings for the latter part of CY22 and throughout CY23.

It is impossible to predict at this stage with any acceptable degree of accuracy what the outcomes are likely to be however, in the broadest sense things are certainly improving and if demand continues to grow on its current trajectory, HLO should achieve a breakeven position or slightly better in the June quarter of FY22 and return to modest profitability throughout FY23.

CTM TRANSACTION

HLO agreed to sell its corporate and entertainment travel businesses comprising our QBT, TravelEdge, Show Travel (excluding Show Freight), APX and Atlas Travel operations in Australia and New Zealand to Corporate Travel Management (ASX: CTD) for A$175 million comprising A$100 million in cash and A$75 million in CTM shares based on an issue price of $21.00 per share.

This transaction is subject to normal regulatory approvals including from the Australian Competition and Consumer Commission (ACCC) and the New Zealand Commerce Commission (NZCC). NZCC approval has been received and CTM are awaiting advice from the ACCC and subject to that approval, we expect the transaction to be completed by the end of March 2022.

Completion of the transaction will strengthen our Balance Sheet and allow HLO to focus on its agency network business, our air ticketing business and our wholesale and inbound businesses across Australia, New Zealand, and Fiji. We do not believe that the transaction will have any material impact on our commercial outcomes with supplier partners and we will continue to maintain a gross revenue margin similar to that achieved with the corporate and entertainment travel businesses as part of HLO.

As a result of the sale, approximately 270 personnel in Australia and New Zealand will join CTM with HLO having approximately 430 FTE across our businesses in Australia, New Zealand, and Fiji.

HALF YEAR RESULTS SUMMARY

HLO's key financial results for the half year ended 31 December 2021 compared with the prior corresponding period for the half year ended 31 December 2020 are summarised below.

	1H22 $000's	**1H21 $000's**	**Change $000's**	**Change**
Total Transaction Value (TTV) *(i)*	694,317	432,940	261,377	60.4%
Travel Revenue	40,278	27,746	12,532	45.2%
Revenue margin (ii)	*5.8%*	*6.4%*		
Other Income	5,816	19,716	(13,900)	(70.5)%
Overheads	(51,259)	(53,253)	1.994	3.7%
EBITDA *(iii)*	(5,165)	(5,791)	626	10.8%
EBITDA margin (iv)	*(12.8%)*	*(20.9%)*		
Loss before income tax expense	(19,586)	(21,542)	1,956	9.1%
Loss after income tax expense	(14,043)	(15,131)	1,088	7.2%

(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 agent 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) *Revenue margin has been calculated as Revenue as a percentage of TTV.*

(iii) *EBITDA has been amended in this financial half-year to exclude all AASB16 Leases associated expenses.*

(iv) *EBITDA margin has been calculated as EBITDA as a percentage of Revenue.*

COSTS KEPT UNDER TIGHT CONTROL

Throughout the first half, HLO continued to focus on minimising our losses through very stringent cost control.

Employee costs were $33.8 million for the half. This compared to employee costs of $39.6 million in 1H21 and $73.9 million in 1H20.

Wage subsidies of $3.5 million received in 1H22 compared to 1H21 subsidies of $17.9 million, $14.4 million less than the pcp.

Effectively holding our EBITDA loss at a similar number to the pcp, HLO reduced its annualised operating costs significantly for the half.

The productivity and cost-reduction measures undertaken during the last two years are expected to benefit HLO as travel and tourism businesses recover.

RECENT TRADING RESULTS

- TTV increased by 60.4% to $694.3 million driven by progressive easing of border restrictions from October to December in key Australian Eastern seaboard states, while impacted by the almost total lockdown across Australia from July to September. Although the relaxation of domestic and international border controls in the latter part of the half showed a notable increase in bookings, previous trends of snap domestic lockdowns over the past 18 months due to COVID-19 outbreaks continued to impact customer confidence.
- Revenue increased 45.2% from the prior year of $27.7 million to $40.3 million due to the substantial increase in domestic travel in the last three months of the quarter. Revenue margin of 5.8% was consistent with the prior year margin of 6.4%.
- Other Income reduced 70.5% from $19.7 million, predominately driven by non-recurring government wage subsidy receipts ($17.9 million) to $5.8 million in the current half.
- The current half Loss before Tax reflects lower depreciation and amortisation expense due to a reduction in leased properties and intangible assets and reduced finance expenses reflecting the prepayment of borrowings and lower interest rates.

SEGMENT OVERVIEW

The Australian Segment TTV running at 20% of pre-COVID-19 levels, however we are seeing an upward trend towards the end of 1H22 as domestic border restrictions ease and corporate travel increases. Leisure travel TTV has been slower to come back.

- TTV was up 68.6% driven by the progressive release of State Border controls.
- Revenues up 53.2% specifically in our retail operations TTV was up 177.4%.
- Revenue margin decrease reflects a decline in higher yielding non-travel related call-centre revenue.
- EBITDA loss of $3.7 million compared with loss of $2.4 million in pcp. The pcp included significant wage subsidies.
- Wholesale and inbound revenue was up 125.6% year on year for the half but down 86.4% from 2019.
- Agent network steadfastly resilient and largely intact.
- Revenue margin decreased reflecting a decline in high yielding non-travel related call-centre revenue.

The New Zealand Segment TTV grew by 2.8% with an EBITDA loss of $1.4 million, (pcp EBITDA loss of $3.0 million).

- International borders in New Zealand remained closed with the exception of the Cook Islands (at various times) the first halves of both FY21 and FY22 look very similar.
- Restructuring of the NZ operations was completed in early 1H21, reducing costs and extending the Group's liquidity runway.

The Rest of World segment, representing HLO's Fijian operations, incurred an EBITDA loss of $0.1 million.

- Starting to see increased business into our Fijian operations but the impact on the first half was negligible.
- Personnel in Fiji continue to provide database and other support functions.
- TTF and ATS are well positioned to benefit from border openings with Australia, the US and other key source markets.

LIQUIDITY AND FUNDING

- At 31 December 2021, the Group's cash balance was $87.6 million (June 2021: $131.0 million, December 2020: $142.7 million)
- During the current half, a prepayment of $10 million was made against Facility D, reducing overall borrowings and increasing facility headroom. The minimum cash balance covenant reduced to $30 million from $55 million.
- Reduction in overall cash of $43.5 million largely reflects $10 million prepayment of borrowings, reduction in client cash balance of $14.6 million due to refunds and supplier payments and a reduction in free cash balance reflecting the timing of overhead payments and payment of employee entitlements.
- At 31 December 2021, the Group had external borrowings of $70.8 million (June 2021: $80.7 million, December 2020: $80.7 million) with available headroom on its debt facilities of $42.6 million (June 2021: $31.6 million, December 2020: $30.2 million).
- HLO maintains sufficient level of operating cash and positive net current assets, supported by a secured long-term debt facility with Westpac Banking Corporation.
- Subsequent to December 2021 period-end, $7.5 million in previously paid company tax was refunded by the Australian Taxation Office under the loss carry back provisions relating to FY20 and FY21 tax years.

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 remain largely intact as at the end of December 2021.
- Agents in some states in Australia have also benefited from specific or generic business assistance from State and Federal Governments.
- Many agencies significantly reduced staff numbers and have been running with reduced staffing levels to service refunds, domestic bookings and enquiries for travel in 2022 and beyond. Major rebuild in staffing levels across our networks now underway.
- The Helloworld Business Travel Network in Australia has endured the pandemic and agents are servicing their corporate customers as required. We expect these businesses will recover quickly now there is consistency and certainty around state international borders.

STATE OF OUR RETAIL NETWORKS IN AUSTRALIA & NEW ZEALAND

- HLO's network status as at end December 2021 compared to June 2021 and December 2020 was as follows:

	December 2020	**June 2021**	**December 2021**
Total Australia	**1,861** 1,166 agencies + 695 home-based businesses	**1,837** 1,099 agencies +738 home-based agencies	**1,827** 1,088 agencies +739 home-based agencies
Total New Zealand	**413** 167 agencies + 246 home-based agencies	**387** 135 agencies +252 home-based agencies	**341** 107 agencies + 234 home-based agencies
Total Agencies	**2,274**	**2,224**	**2,168**

HLO WHOLESALE & INBOUND BUSINESSES IN AUSTRALIA & NEW ZEALAND

- HLO's wholesale & inbound businesses in Australia and New Zealand continued to be impacted by domestic and international border closures in 1H22.
- While TTV improved in our Australian wholesale operations, New Zealand TTV remained static for the half.
- Inbound business to Australia and New Zealand remained closed, however recent announcements to open Australia's border on 21 February and the New Zealand border on a scaled basis from late February are seeing demand picking up from our key source markets.
- HLO's domestic retail sales, particularly in Australia, are showing very promising signs of recovery with borders now opening in both directions. Consumer confidence is fragile however, we believe that if Australia and New Zealand can implement and maintain open borders throughout the year, the demand for interstate, trans-Tasman and international travel will grow dramatically as 2022 unfolds.

OUTLOOK

HLO is investing to ensure we have the best people in the right roles and an ability to scale up as demand for travel returns. HLO continues to invest in the technology suite with further enhancements maximising the opportunities for all our key stakeholders.

We are working with our agency networks to ensure we emerge from this period of disruption 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 Australia and around the world.

- Near term, pent up demand for travel is extremely strong and when the impacts of the COVID-19 pandemic on travel finally subside, we anticipate travel will ramp up rapidly, with significant growth in the next 24 months.
- 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 travellers' 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 three months, HLO has minimized losses in the first half and we expect further improvement in 2H22.
- HLO has sufficient liquidity to maintain operations beyond the end of calendar 2022 on current liquidity levels and cash burn rate.
- Subject to satisfaction of the conditions and transaction completion, HLO will receive A$100 million in cash and CTM shares of A$75 million (escrowed 12 months from completion) towards the end of the March 2022 quarter. The cash consideration received will be used to repay debt, provide additional liquidity, capital management and to support growth opportunities in HLO's retail and leisure travel businesses as activity rebounds following COVID-19 disruption.

- 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 and 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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