FLIGHT CENTRE
TRAVEL GROUP™

Chairman's Address by Gary Smith

After two incredibly challenging years of lockdowns and restrictions, we are delighted to welcome you – our valued shareholders – to our Annual General Meeting.

This is our first face-to-face AGM since 2019 and it's great to see so many familiar faces here this morning, including our people, shareholders and guests.

I'm also delighted to deliver this address in a vastly improved trading environment, compared to the past couple of years.

These improved conditions have, of course, been fuelled predominantly by the removal of most travel restrictions throughout the world, which has allowed international and domestic travel to reawaken after an unprecedented and very painful period of enforced hibernation.

While it would be incorrect to assume that the market has fully rebounded, we have:

- Taken positive early steps on the path to recovery
- Made strong progress towards achieving our longer-term strategic objectives; and
- Positioned our business to capitalise on the opportunities we have identified

I will address these areas individually this morning, while also providing additional commentary around some other important areas like Board structure and sustainability.

Positive Early Steps On The Path to Recovery

As the world started to reopen in a meaningful way – largely from February 2022 onwards – the response from travellers exceeded our initial expectations.

Sales accelerated immediately, the company returned to profit on an underlying EBITDA basis the following month and more and more of our businesses followed suit as the year progressed – providing solid momentum for the 2023 fiscal year (FY23).

The corporate and Europe, Middle East and Africa (EMEA) business segments were among our best performers and were profitable on an underlying EBITDA basis for the year, the Americas business was profitable during the second half and the Australia-New Zealand (ANZ) segment was profitable over the final four months of the year.

Overall, we achieved an underlying EBITDA loss of $183million, which was:

- Well within the upgraded guidance range we issued in July 2022); and

- A 46% improvement on the $337.8million underlying EBITDA loss during FY21

Our underlying full year result was also broadly in line with our $184million FY22 first half loss, meaning we generated a modest second half profit despite the Omicron strain's significant impacts early in the period.

Over the year, total transaction value or TTV reached $10.3billion, 162% growth on FY21 but below the record $23.7billion result achieved during FY19.

As mentioned earlier, recovery accelerated rapidly late in FY22 with:

- Fourth quarter TTV alone topping TTV for the entire 2021 fiscal year; and
- Various businesses tracking at or near pre-COVID gross TTV levels on a monthly basis in June 2022 as a result of both the rapid demand uplift after borders reopened and higher than normal airfare prices

Revenue increased 155% during FY22 to $1billion, compared to $396million during FY21.

Operating cash flow was positive from March 2022, which helped ensure we maintained a strong liquidity position of circa $700million at year-end.

The $400million Convertible Note that was issued in November 2021 enhanced our liquidity position, allowed us to repay our short-term UK government loan in full and gave us additional flexibility as we worked through the challenges posed by COVID-19.

Achieving Strategic Objectives

Our corporate business again consolidated its position as a market leader, securing new accounts with an annualised spend of circa $2.5billion during FY22 while retaining a very high percentage of its global client base.

This business, which is predominantly built around the FCM and Corporate Traveller brands, is achieving its strategic Grow To Win objective, outpacing broader industry recovery across all key sales metrics and gaining market-share globally.

Corporate TTV increased 158% over the full year to $5.6billion and on a gross basis returned to pre-COVID levels in June 2022 – six months earlier than we initially anticipated.

As you will hear in Skroo's upcoming address, the corporate business is currently on track to deliver record TTV during FY23 after delivering a strong first quarter and its two highest ever TTV months in September and October 2022.

In the leisure sector, TTV increased 197% to $4.1billion during FY22 and was tracking at circa 70% of pre-COVID gross TTV levels in June.

While our shops remained our major leisure sales generator, we also captured an increased share of TTV from new and emerging channels, which has been a key strategic objective since we launched our leisure transformation program just prior to the start of the pandemic. For example, our online leisure and independent contractor offerings together generated about 30% of leisure TTV during FY22, compared to just 13% during FY19.

Over the year. we gained leisure market-share in Australia-New Zealand, our largest business, flightcentre.com.au and various other brands and channels tracked at record levels and consultant productivity was at an all-time high.

These productivity gains reflect system enhancements made during the pandemic, but also the surge in demand we are experiencing from our new and our existing customers.

To better service this current and anticipated future demand, we have again been recruiting at scale and in recent months in Australia alone we have been attracting up to 5000 applicants and recruiting 300 to 400 people to fill leisure, corporate and support vacancies.

This includes former employees who have remained engaged with the company via our alumni program as well as newcomers to the industry, which highlights travel's re-emergence as an exciting and appealing career choice.

Another priority has been to maintain cost discipline, while also protecting our unique culture and preparing for rapid recovery and growth post pandemic.

Underlying costs over FY22 reached $1.4billion, circa 50% lower than FY19, but we still made significant investments in:

- Leisure and corporate products and systems to enhance our already compelling customer offerings
- People, as you have just heard; and
- Marketing to strengthen our brands and, when needed, generate further enquiry

We have also maintained a strong balance sheet, with almost $1.3billion in cash and investments at year-end.

As outlined previously, in March we repaid the GBP115million short-term loan that we accessed under the UK government's COVID Corporate Financing Facility, leaving us with circa $350million in syndicated bank debt, in addition to the convertible notes.

Positioned to capitalise on new opportunities

As our recovery gains momentum, we are starting to consider optimum capital structures taking into account our:

- Future growth needs
- Debt structures, including bank debt and the convertible notes; and
- Shareholder returns or dividends

While we will focus on our proven organic growth model to increase sales globally, we will also consider M&A opportunities.

During FY22, we increased our investment in Dubai-based air content aggregator TP Connects from 22.5% to 70% to help ensure our people and customers continue to have access to the widest range of airfares as some airlines ramp up their investment in New Distribution Capability or NDC.

As illustrated here, we also acquired or invested in several other businesses during FY22 to enhance our customer offerings or to gain a foothold in new markets or sectors.

FY23 Outlook

While we are encouraged by our achievements to date, our industry is in the very early stages of recovery, some large and important markets are yet to fully reopen and there are likely to be ongoing concerns in the months ahead.

For instance, we are encountering supply challenges – particularly airline capacity – early in FY23, along with changing macro-economic conditions.

These challenges and changes do not, as yet, appear to be impacting customer demand in any meaningful way, which underlines the global travel sector's resilience – we operate in a market that generally grows year-on-year.

Market conditions also play to our strengths in both leisure and corporate as our expert travel advisors help their customers navigate a path through the current complexity.

As always, we place very high importance on retaining our people, which is why we are again investing in purpose-built tools like our Global Retention Rights.

The GRR program was initially expected to be a one-off, but the Board elected to extend it into a second year as a targeted response to the challenge of retaining our people and their invaluable intellectual property in what is now a very tight global labour market.

This program is not available to senior executives – it focuses solely on our salespeople and those in our support ranks who are not included in other retention plans and programs.

These people are the backbone of our company and they are again working tirelessly to help their customers navigate the turbulence, thereby reinforcing the value of their service.

I'd also like to acknowledge the prominent role that Skroo took during the pandemic in advocating for changes to government policies – on behalf of the entire travel and tourism industry and those many people who were isolated and impacted adversely in so many ways by some arguably questionable decisions.

Board composition

We have strengthened our board recently by appointing Kirsty Rankin as a non-executive director. The appointment is, of course, subject to shareholder approval later this morning.

Kirsty is an experienced director with vast global expertise in areas that are critical to our business, specifically:

- Developing capacity in data-driven customer insights
- Managing digital transformation; and
- Developing and implementing customer loyalty programs

Kirsty is already proving to be a great addition to our Board and I am delighted to see the very strong support for her appointment from shareholders today.

Naturally, I am also delighted with the support for my re-election which, if ratified today, will allow me to continue as chair during this very important post-pandemic recovery phase.

As you would expect given I have been on our Board for 15 years, my tenure, along with overall director tenure, has been discussed as part of our regular Board composition and independence deliberations. Our directors are satisfied that I remain independent and believe that stability, experience and continuity at Board level are paramount as we start to rebuild after an incredibly turbulent period.

It is a great honour to chair our company and I am excited by our prospects over the next few years and beyond as we:

- Continue the progress we are making towards full recovery
- Create value for our shareholders; and
- Enhance our position in sustainability and other very important areas

Before expanding on our sustainability position, I'd like to make special mention of our supply CEO Melanie Waters-Ryan, who is retiring at the end of FY23 and plans to take a well-earned break after 35 years with FLT.

Mel has been a wonderful asset to our company, a role model and inspiration to our people and she will be sorely missed. She will leave a fantastic legacy globally in the supply area and elsewhere in the business and we wish her well for the future – thank-you Mel.

Environment, Social and Governance (ESG)

ESG is an increasingly important area that we are very focused on and investing in.

During FY22, we appointed our first global sustainability officer or GSO to globalise our approach to ESG to ensure greater impact and consistency throughout our business.

We also created a Sustainability Taskforce – consisting of four members of our global Taskforce, our GSO and other business representatives.

Environmental sustainability is of paramount importance and goes to the very essence of who we are and what we do. Our company purpose is to open up the world for those who want to see, so it is incumbent on us to protect our natural assets to the best of our ability.

We have already taken very significant steps to strengthen our commitment by measuring our carbon footprint and publicly committing to the Science-based target initiative (SBTi).

The SBTi provides a clearly defined pathway for companies to reduce greenhouse gas emissions to targeted levels. We expect to set our target by the end of this month (November) and it will then be submitted to SBTi for validation. (Slide 14)

We have also settled on a broader sustainability strategy, which is outlined on this slide.

Importantly, our people are very committed and engaged with us on this journey.

In corporate, we are developing new capabilities and working with our customers to help them achieve their ESG objectives.

Both FCM and CT have developed enhanced carbon reporting and emissions identification in their proprietary digital booking platforms.

FCM has appointed a new sustainability lead within its global consulting business to ensure FCM remains a thought leader on the sustainability of business travel.

In relation to reporting, we released our inaugural Sustainability Report in 2021 and aim to release a new report in FY23 to update you on our progress.

Conclusion

For the first time since FY20, your company has started a new fiscal year with solid momentum, following the rebound experienced late in FY22

While there will inevitably be new issues to address during the post-pandemic period, FLT is well placed to overcome the foreseeable challenges given its:

- Size and diversity across both the leisure and corporate sectors
- Ongoing relevance and heightened importance to customers and suppliers in a more complex environment
- Commitment to retaining and investing in key assets during the downturn
- Ongoing financial strength; and
- Ability to retain a highly skilled management team and broader workforce

On behalf of our board, I thank our people, our customers and our shareholders for supporting our company through very challenging times and I look forward to updating you on our achievements as we emerge into the post pandemic era.

I will know invite Skroo to address the meeting.

This announcement has been authorised by the board of FLT.