Webjet Limited

Half-Year Report and Appendix 4D

31 December 2019

www.webjetlimited.com

CONTENTS

Appendix 4D – Half-year results for announcement to the market

NAME OF ENTITY	ABN REFERENCE
Webjet Limited (WEB)	68 002 013 612

1 REPORTING PERIODS

Financial half-year ended (current period)	Financial half-year ended (previous corresponding period)
31 December 2019	31 December 2018

2 RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key information	31 December 2019 $ m	31 December 2018 $ m	Change $ m	Change %
Revenue from ordinary activities	218.2	175.8	42.4	24%
Profit from ordinary activities before income tax	12.1	33.1	(21.0)	(63%)
Net profit attributable to members of the parent company	9.0	25.2	(16.2)	(64%)

Refer pages 6 - 7 for overview of performance.

3 DIVIDENDS

Dividend	Payment date	Cents per share	Franked amount per security at 30% tax
Interim dividend - 31 December 2019	16 April 2020	9.0	100%
Final dividend - 30 June 2019	10 October 2019	13.5	100%
Interim dividend - 31 December 2018	18 April 2019	8.5	100%

4 NTA BACKING

	31 December 2019 cents	31 December 2018 cents
Net tangible asset backing per ordinary share	(194)	(179)

Corporate Information

DIRECTORS

Roger Sharp (Independent Non-Executive Director, Chairman)
John Guscic (Managing Director)
Don Clarke (Independent Non-Executive Director, Deputy Chairman)
Brad Holman (Independent Non-Executive Director)
Toni Korsanos (Independent Non-Executive Director)
Shelley Roberts (Independent Non-Executive Director)

REGISTERED OFFICE

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Phone: (08) 8236 2300

PRINCIPAL ADMINISTRATIVE OFFICE

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Melbourne Vic 3004

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Melbourne Vic 3000

AUDITORS

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BANKERS

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Melbourne Vic 3000

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INTERNET ADDRESS

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Directors' Report

The Directors of Webjet Limited (Webjet, the Company, Group) submit herewith the financial report of the company and its controlled entities for the half-year ended 31 December 2019.

Directors

The names of the directors of the company during or since the end of the half-year are:

Roger Sharp (Chairman and Independent Non-Executive Director)
John Guscic (Managing Director)
Don Clarke (Deputy Chairman and Independent Non-Executive Director)
Brad Holman (Independent Non-Executive Director)
Toni Korsanos (Independent Non-Executive Director)
Shelley Roberts (Independent Non-Executive Director).

Principal activities

The principal activity of the Group is the provision of online travel bookings through B2C and B2B divisions.

B2B Division – Hotel Distribution

WebBeds, the Company's business-to-business (B2B) travel business, provides online fulfilment of hotel room bookings for its travel industry customers (primarily retail and corporate travel agents, OTAs, wholesalers and tour operators) via its online booking platforms.

Headquartered in Dubai, WebBeds offers a simplified B2B online solution, placing the broadest range of hotel rooms on sale worldwide into the hands of its partners. It operates in 3 key regions – Americas, Middle East and Africa (AMEA), Europe and Asia-Pacific. WebBeds operates various product platforms across the regions including Lots of Hotels, Sunhotels, FIT Ruums, JacTravel and Destinations of the World. Since launching in February 2013, WebBeds is now the #2 global B2B player.

MIDDLE EAST AND AFRICA, AMERICA	ASIA PACIFIC	EUROPE
Middle East and Africa Launched in February 2013, WebBeds is now the # 1 player in the region operating in 36 markets. Our multi-supply aggregation model allows us to offer unique coverage across the Middle East & Africa. Americas Launched in November 2015, WebBeds operates in the USA, Canada and Latin America. The USA is the largest destination for WebBeds customers, and we operate in 17 countries across Latin America.	Launched in November 2016, WebBeds is now the # 2 player in the region operating in 18 countries. We have also increased scale in key source markets of South Korea, Indonesia, India and Hong Kong.	Europe remains one of the most important B2B markets given the significant number of independent hotels and in general, higher TTV margins than other regions. Expanding into Europe in July 2014, we are now the # 2 European player operating in over 30 markets across Europe.

B2C Division - Online Travel Booking Sites

Webjet OTA

Established in 1998, Webjet is Australia & New Zealand's largest online travel agency ("OTA"), leading the way in online travel tools & technology. Webjet enables customers to compare, combine & book the best domestic and international travel flight deals, hotel accommodation, holiday package deals, travel insurance & car hire worldwide.

Online Republic

Acquired in June 2016, Online Republic is a global digital travel group based in New Zealand specialising in online bookings of rental cars, motorhomes and cruises.

Financial Results

	1H20	1H19	Change	
	$m	$m	$m	%
Total transaction value	2,334	1,867	467	25%
Revenue [i]	**217.8**	**175.3**	**42.5**	**24%**
Revenue margin	*9.3%*	*9.4%*		*-6bps*
Operating expenses	(131.5)	(117.3)	(14.2)	12%
EBITDA before non-operating expenses [ii]	**86.3**	**58.0**	**28.3**	**49%**
EBITDA margin	*39.6%*	*33.1%*		*+650bps*
Non-operating expenses	(39.8)	(6.2)	(33.6)	542%
Depreciation and amortisation	(13.3)	(6.8)	(6.5)	95%
Acquisition amortisation [iii]	(11.9)	(6.4)	(5.5)	86%
Net interest costs	(9.2)	(5.6)	(3.6)	64%
Profit before tax	**12.1**	**33.1**	**(21.0)**	**(63)%**
Taxation expense	(3.1)	(7.9)	4.8	(61)%
Net profit after tax (NPAT)	**9.0**	**25.2**	**(16.2)**	**(64)%**
NPAT A (before acquisition amortisation) [iv]	20.9	31.6	(10.7)	(34)%

(i) Excludes interest income.

(ii) EBITDA = Earnings before interest, tax, depreciation and amortisation, and provides a better understanding of the financial performance and allows more representative comparison between financial periods.

(iii) Acquisition amortisation represents amortisation on the additional intangible values recognised under AASB 3 following a business combination.

(iv) NPAT A, NPAT add back acquisition amortisation shows the NPAT of the Group before acquisition amortisation and provides an alternative view of the profitability of the Group.

Total Transactional Value (TTV) for the half increased by 25%, representing a 42% increase in B2B, 3% increase in Web OTA and 7% increase in Online Republic. The growth in B2B growth for the half incorporated six months of DOTW compared to one month in the Prior Corresponding Period (PCP).

EBITDA before non-operating expenses increased 49%, and 43% after adjusting for the impact of the new lease standard. This reflects the increase in TTV and higher operational efficiency realised during the half.

Non-operating expenses comprise $2.5 million integration costs incurred on the DOTW acquisition resulting in higher synergy benefits, $44 million write off of Thomas Cook receivables, $14.5 million expense recognised to reflect the higher consideration payable relating to the DOTW acquisition, these costs partially offset by fair value adjustment of $6.7 million on put options relating to acquisition of Umrah International Holidays, and $14.5 million reversal of the DOTW earn-out liability not expected to be paid in March 2020.

Depreciation and amortisation costs have increased due to the additional amortisation arising from the right-of-use lease assets recognised following the adoption of the new leasing standard – AASB 16, the extra five months of amortisation of DOTW intangibles in 1H20, and the incremental amortisation from capital expenditure from FY19.

Acquired amortisation increased to reflect the extra five months of amortisation of acquired intangibles relating to DOTW compared to one month acquired amortisation recognised in PCP.

Interest expenses increased from PCP mainly from higher borrowings from the DOTW acquisitions contributing six months of costs versus one month in PCP. In addition, option premium expenses on hedging instruments have increased in line with the increase in TTV.

The effective tax rate for the period is 25%, an increase from 24% in PCP. The increase is mainly due to higher non-deductible non-operating expenses (mainly from the Thomas Cook write-off) during the period which resulted in a higher effective tax rate. Excluding these non-deductible non-operating expenses, the effective tax rate is 17%.

Additional commentary on performance is included in the media release and investor presentation lodged with the ASX on 19 February 2020.

Balance Sheet

	31 December 2019 $m	30 June 2019 $m	Change $m
Cash and cash equivalents	157.2	211.4	(54.2)
Trade and other receivables	330.7	368.1	(37.4)
Intangible assets	888.3	907.4	(19.1)
Other assets	45.4	34.8	10.6
Total assets	**1,421.6**	**1,521.7**	**(100.1)**
Trade and other payables	509.0	550.5	(41.5)
Borrowings	191.7	205.9	(14.2)
Other liabilities	95.4	121.1	(25.7)
Total liabilities	**796.1**	**877.5**	**(81.4)**
Net assets	**625.5**	**644.2**	**(18.7)**
Issued capital	511.2	510.8	0.4
Retained earnings and reserves	114.3	133.4	(19.1)
Total equity	**625.5**	**644.2**	**(18.7)**

The balance sheet remains strong and gearing is conservative as at 31 December 2019, despite the impact of Thomas Cook which saw the group write off receivables of $44 million. This write-off directly impacted the amount of trade receivables and cash on hand.

Intangible assets decreased due to foreign currency movements, amortisation for the period, which were partially offset by current period capital expenditure, mainly on IT platforms.

The increase in other assets is mainly due to the right-of-use lease assets recognised during the period on the adoption of AASB 16 which came into effect on 1 July 2019.

During the period the Group repaid $14 million of debt, of which $9 million settled the remaining Sunhotels loan and $5 million related to the debt drawn to acquire Thomas Cook contracts.

Other liabilities decreased during the period, driven by reduction in tax liabilities of $11 million (payments made in the half), reduction in DOTW earnout liability of $14.5 million and the reduction of the put option liability of $6.7 million.

Dividends

The final dividend for the year ended 30 June 2019 of 13.5 per share fully franked to 100% was paid on 10 October 2019 for a total payment of $18.3 million.

An interim dividend of 9.0 cents per share fully franked for the six-month period ended 31 December 2019, amounting to $12.2 million, has been declared by the Directors, subsequent to balance sheet date, for payment on 16 April 2020.

Likely developments and expected results of operations

The Group continues to focus on growing its B2C business organically and anticipates building its B2B business through a combination of organic and inorganic growth.

Subsequent events

Issue of share options

On 3 February 2020, 1,323,799 options were granted to the Senior Leadership Team (excluding the Managing Director) under the Company's long-term incentive ("LTI") plan and equity retention scheme. These FY2020 LTI options have an exercise price of $14.33 and will vest on 30 June 2022. They have an expiry date of 16 September 2024.

Impact of COVID-19

The current COVID-19 outbreak is expected to have an impact on bookings and TTV across our business. In the current environment it is challenging to predict with certainty the expected impact of COVID-19 on 2H20 EBITDA results.

There has not been any matter or circumstance occurring after the end of the financial six-month period, other than COVID 19, that has significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Group in future periods.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 24.

Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest one hundred thousand dollars in accordance with that Legislative Instrument.

This report is made in accordance with a resolution of Directors.

On behalf of the Directors

Roger Sharp
Chairman
Melbourne, 19 February 2020

Consolidated statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2019

	Notes	6 months ended 31 December 2019 $ m	2018 $ m
Revenue from customers	2.1	217.8	175.3
Other income		0.4	0.5
		218.2	**175.8**
Employee benefits		(61.0)	(50.8)
Operating expenses	3.1	(70.5)	(66.4)
Other non-operating expenses	3.2	(39.8)	(6.2)
Profit before interest, tax and depreciation and amortisation		**46.9**	**52.4**
Finance costs		(9.6)	(6.1)
Depreciation and amortisation		(25.2)	(13.2)
Profit before income tax expense		**12.1**	**33.1**
Income tax expense		(3.1)	(7.9)
Net profit after tax		**9.0**	**25.2**
Other comprehensive income			
Items that may be subsequently classified to profit and loss			
Exchange difference on translating foreign operations, net of tax		(12.0)	6.7
Changes in the fair value of hedging instruments		(0.3)	(1.8)
		(12.3)	**4.9**
Items that have been subsequently reclassified to profit or loss			
Cash flow hedges recycled to profit or loss		2.2	1.0
		2.2	**1.0**
Other comprehensive income for the period, net of income tax		**(10.1)**	**5.9**
Total comprehensive income for the period		**(1.1)**	**31.1**

	Cents per share	Cents per share
Earnings per share:		
Basic (cents per share)	6.6	20.7
Diluted (cents per share)	6.6	20.6

Notes to the consolidated financial statements are included on pages 13 to 22

Consolidated balance sheet

As at 31 December 2019

	Notes	As at 31 December 2019 $ m	30 June 2019 $ m
Current assets			
Cash and cash equivalents		157.2	211.4
Trade receivables and other assets	4.1	330.7	368.1
Total current assets		**487.9**	**579.5**
Non-current assets			
Intangible assets		888.3	907.4
Property, plant and equipment		33.4	23.3
Deferred tax assets		10.1	9.6
Other non-current assets		1.9	1.9
Total non-current assets		**933.7**	**942.2**
Total assets		**1,421.6**	**1,521.7**
Current liabilities			
Trade payables and other liabilities	4.2	509.0	550.5
Borrowings		8.4	18.8
Other current liabilities		33.6	47.4
Total current liabilities		**551.0**	**616.7**
Non-current liabilities			
Borrowings		183.3	187.1
Deferred tax liabilities		32.8	34.8
Other non-current liabilities		29.0	38.9
Total non-current liabilities		**245.1**	**260.8**
Total liabilities		**796.1**	**877.5**
Net assets		**625.5**	**644.2**
Equity			
Issued capital		511.2	510.8
Reserves		(12.4)	(2.7)
Retained earnings		126.7	136.1
Total equity		**625.5**	**644.2**

Notes to the consolidated financial statements are included on pages 13 to 22

Consolidated statement of cash flow

For the half-year ended 31 December 2019

	Notes	6 months ended 31 December 2019 $ m	2018 $ m
Net profit after tax		9.0	25.2
Add back:			
Depreciation and amortisation		25.2	13.2
Finance cost, net of investment income		9.2	5.6
Income tax expense		3.1	7.9
Earnings before interest, tax, depreciation, amortisation		**46.5**	**51.9**
Adjusted for changes in working capital:			
Decrease/(increase) in trade debtors and other receivables		31.5	(6.5)
Decrease in trade payables and other liabilities		(48.6)	(52.5)
Non cash items		1.0	0.6
Cash flow from operating activities before interest and tax paid		**30.4**	**(6.5)**
Net finance cost and investment income paid		(8.9)	(4.6)
Income tax expense paid		(16.6)	(9.3)
Net cash flows from / (used in) operating activities		**4.9**	**(20.4)**
Payments for property, plant and equipment		(2.2)	(2.2)
Purchase of intangible assets		(13.3)	(11.9)
Purchase of subsidiary net of overdraft assumed / cash acquired	6.4	(2.8)	(210.8)
Dividends received		0.2	0.2
Net cash flows used in investing activities		**(18.1)**	**(224.7)**
Payment of dividends		(18.3)	(14.4)
Payment of lease liabilities		(2.5)	-
Repayments of borrowings		(14.3)	(9.1)
Proceeds from borrowings		-	100.0
Proceeds from issue of share capital		-	160.4
Receipts from loan receivable		-	7.6
Net cash flows (used in) / from financing activities		**(35.1)**	**244.5**
Net (decrease)/increase in cash and cash equivalents		**(48.3)**	**(0.6)**
Cash and cash equivalents at the beginning of the period		**211.4**	190.8
Effects of foreign exchange translation on cash and cash equivalents		**(5.9)**	(7.5)
Cash and cash equivalents at the end of the period		**157.2**	**182.7**

Notes to the consolidated financial statements are included on pages 13 to 22

Consolidated statement of changes in equity

For the half-year ended 31 December 2019

	Issued Capital $ m	Share based payment reserve $ m	Other reserve $ m	Foreign currency translation reserve $ m	Retained earnings $ m	Total equity $ m
Balance at 1 July 2019	**510.8**	**3.1**	**(25.8)**	**20.0**	**136.1**	**644.2**
Impact of adoption of AASB 16 [(i)]	-	-	-	-	(0.3)	(0.3)
Comprensive income						
Profit for the period	-	-	-	-	9.0	9.0
Amounts in reserves recycled to the income statement	-	-	2.2	-	-	2.2
Other comprehensive income for the period, net of income tax	-	-	(0.3)	(12.0)	-	(12.3)
Total comprehensive income for the period	-	-	1.9	(12.0)	9.0	(1.1)
Transactions with owners in their capacity as owners						
Share based payment expense recognised for the period	-	1.0	-	-	-	1.0
Transfer from share based payment reserve	0.4	(0.6)	-	-	0.2	-
Payment of dividends	-	-	-	-	(18.3)	(18.3)
Balance at 31 December 2019	**511.2**	**3.5**	**(23.9)**	**8.0**	**126.7**	**625.5**
Balance at 1 July 2018	**329.2**	**1.9**	**(5.2)**	**15.3**	**101.6**	**442.8**
Comprensive income						
Profit for the period	-	-	-	-	25.2	25.2
Amounts in reserves recycled to the income statement	-	-	1.0	-	-	1.0
Other comprehensive income for the period, net of income tax	-	-	(1.8)	6.7	-	4.9
Total comprehensive income for the period	-	-	(0.8)	6.7	25.2	31.1
Transactions with owners in their capacity as owners						
Contributions of equity, net of transaction costs and tax	148.3	-	-	-	-	148.3
Issue of shares as consideration for business combination	25.2	-	-	-	-	25.2
Issue of shares exercised through options	6.9	-	-	-	-	6.9
Share based payment expense recognised for the period	-	0.6	-	-	-	0.6
Transfer from share based payment reserve	0.6	(0.6)	-	-	-	-
Payment of dividends	-	-	-	-	(14.4)	(14.4)
Balance at 31 December 2018	**510.3**	**1.9**	**(5.9)**	**21.9**	**112.4**	**640.6**

(i) Refer to Note 8.1

Notes to the consolidated financial statements are included on pages 13 to 22

1. Segment information

1.1 Description of segments

Management has determined the operating segments and the segment information disclosed based on reports reviewed by the Managing Director that are used to make strategic decisions.

The Managing Director considers that all members of the group provide the same service, being Travel Bookings. However, there are two distinct classes of customer: consumers and business. The reportable segments of the Consolidated Entity are – Business to Consumer Travel (B2C Travel) and Business to Business Travel (B2B Travel).

1.2 Segment information provided to the Managing Director

The segment information provided to the Managing Director for the periods ended 31 December 2019 and 31 December 2018 is set out in the tables below.

	6 months ended 31 December							
	2019	2018	2019	2018	2019	2018	2019	2018
	B2C		B2B		Corporate		Total	
	$ m	$ m	$ m	$ m	$ m	$ m	$ m	$ m
Total transaction value	864	831	1,470	1,036	-	-	2,334	1,867
Revenue [i]	90.3	90.2	127.5	85.1	-	-	217.8	175.3
Operating costs	(54.9)	(54.8)	(70.1)	(55.0)	(6.5)	(7.5)	(131.5)	(117.3)
EBITDA before other non-operating expenses	**35.4**	**35.4**	**57.4**	**30.1**	**(6.5)**	**(7.5)**	**86.3**	**58.0**
Other non-operating expenses							(39.8)	(6.2)
Depreciation, amortisation							(13.3)	(6.8)
Acquired amortisation [ii]							(11.9)	(6.4)
Net interest [iii]							(9.2)	(5.6)
Profit before tax							**12.1**	**33.1**
Income tax expense							(3.1)	(7.9)
Profit after tax							**9.0**	**25.2**

(i) Excludes interest income

(ii) Acquired amortisation relates to the amortisation of the fair value of intangibles recognised as a result of a business combination accounting in applying AASB 3 Business Combinations.

(iii) Includes interest income

2. Revenue

2.1 *Disaggregation of revenue*

During the half year, revenue by geographical segment, disaggregated by major revenue stream, timing of revenue recognition is as follows:

Six months ended 31 December 2019	Revenue recognition	B2C $ m	B2B $ m	Total $ m
Booking commission revenue	*Point in time*	68.0	115.2	183.2
Supplier rebates	*Over time*	13.0	2.0	15.0
Other ancilliary revenue	*Over time*	5.4	10.2	15.6
	Point in time	3.9	0.1	4.0
Total revenue from contracts with customers (i)		90.3	127.5	217.8

(i) Excludes interest income.

Six months ended 31 December 2018	Revenue recognition	B2C $ m	B2B $ m	Total $ m
Booking commission revenue	*Point in time*	67.2	78.6	145.8
Supplier rebates	*Over time*	15.0	1.5	16.5
Other ancilliary revenue	*Over time*	4.0	5.0	9.0
	Point in time	4.0	-	4.0
Total revenue from contracts with customers (i)		90.2	85.1	175.3

(i) Excludes interest income.

2.2 *Contract assets and contract liabilities*

These balances are included in trade and other receivables, and trade and other payables in the balance sheet.

As at 31 December 2019	B2C $ m	B2B $ m	Total $ m
Contract assets	4.0	9.3	13.3
Contract liabilities	(0.4)	(2.3)	(2.7)

As at 30 June 2019	B2C $ m	B2B $ m	Total $ m
Contract assets	9.6	8.7	18.3
Contract liabilities	(2.6)	(3.5)	(6.1)

3. Profit before tax

3.1 Included in operating expenses are:

	6 months ended 31 December 2019 $ m	2018 $ m
Marketing expenses	(22.2)	(21.1)
Technology expenses	(12.4)	(9.7)
Administration expenses	(6.4)	(6.5)
Share based payments expenses	(1.0)	(0.6)

3.2 Included in non-operating expenses are:

	Notes	6 months ended 31 December 2019 $ m	2018 $ m
Business acquisition and integration costs (i)		(2.5)	(6.2)
Thomas Cook receivables written-off (ii)		(44.0)	
Fair value gain on put option (iii)		6.7	-
Expense recognised from increase in consideration paid for DOTW outside the measurement period (iv)	6.3	(14.5)	-
Gain arising from decrease of earn-out provision (v)	6.4	14.5	-
		(39.8)	**(6.2)**

(i) Business combination and integration costs comprise costs incurred for integration of DOTW acquired in November 2018, mainly related to redundancy costs.

(ii) As announced on 23 September 2019, Thomas Cook entered compulsory liquidation. As a result, receivables from Thomas Cook totalling €26.5 million (A$43.2 million) and future non-cancellable bookings of approximately €0.5 million (A$0.8 million) were written off.

(iii) The Group holds option to acquire the remaining 49% held by outside shareholders in Umrah International Holidays. These options will be exercised between 2020 and 2024. Under accounting standards, the value of the put option liability is reassessed at each reporting period to reflect the estimated present value of outflows to acquire the minority share. Changes in the fair value of the put option are recognised in profit and loss.

(iv) The final consideration to be paid on the acquisition of DOTW was determined after negotiations with the seller regarding the final working capital. This involved the use of an Expert, who determined the final working capital adjustment on 24 December 2019. Given this was outside the measurement period per the accounting standards which ended 21 November 2019, the adjustment to the consideration payable has been recognised in profit or loss.

(v) The decrease in the earnout liability arises from the reassessment of the earn out payable to the sellers of DOTW as prescribed by the share purchase agreement for calendar year 2019 which is due March 2020. Based on the half year results, the estimate of the earnout is assessed as nil. As required by accounting standards, the reversal is recognised in the profit and loss.

4. Working capital

4.1 Trade and other receivables

	As at 31 December 2019 $ m	30 June 2019 $ m
Trade receivables	298.3	347.5
Contract assets	13.3	18.3
Credit loss allowance	(12.6)	(24.6)
Trade receivables	**299.0**	**341.2**
Prepayments	18.0	6.3
Other current assets	13.7	20.6
Total trade receivables and other assets	**330.7**	**368.1**

(i) Credit loss allowance

As at 31 December 2019	B2C $ m	B2B $ m	Other receivables $ m	Total $ m
Current	57.4	138.8	16.5	212.7
30 to 90 days	0.5	53.0	-	53.5
90 to 180 days	0.1	10.5	-	10.6
over 180 days	-	21.5	-	21.5
	58.0	**223.8**	**16.5**	**298.3**
Contract assets	4.0	9.3	-	13.3
	62.0	**233.1**	**16.5**	**311.6**
Allowance based on historic credit losses				(3.9)
Adjustment for expected changes in credit risk				(8.7)
Total trade and other receivables				**299.0**

As at 30 June 2019	B2C $ m	B2B $ m	Other receivables $ m	Total $ m
Current	56.6	183.7	16.2	256.5
30 to 90 days	0.5	40.5	-	41.0
90 to 180 days	0.2	7.3	-	7.5
over 180 days	-	42.5	-	42.5
	57.3	**274.0**	**16.2**	**347.5**
Contract assets	9.6	8.7	-	18.3
	66.9	**282.7**	**16.2**	**365.8**
Allowance based on historic credit losses				(6.8)
Adjustment for expected changes in credit risk				(17.8)
Total trade and other receivables				**341.2**

For the half-year ended 31 December 2019

4.1 Trade and other receivables (cont.)

(ii) Movement in credit loss allowance

	Six months ended 31 December	
	2019	2018
	$ m	$ m
Opening credit allowance	24.6	6.6
Arising from business combinations	-	6.5
Increase in credit allowance recognised in profit or loss	-	-
Write off of irrecoverable amounts	(12.6)	-
Impact of FX translation	0.6	-
Closing credit loss allowance	12.6	13.1

4.2 Trade and other payables

	As at	
	31 December	30 June
	2019	2019
	$ m	$ m
Trade payables	452.8	497.9
Accrued expenses	42.2	44.1
Other payables	14.0	8.5
Total trade and other payables	509.0	550.5

5. Direct cash flow presentation

We have set out cashflows from operating activities using the direct method.

Webjet considers the indirect method the more appropriate way to present cashflows for its business due to WebBeds customers and suppliers who use the Annual Report being more accustomed to the indirect method. Changing the cashflow presentation to an indirect method makes the cashflow statement more relevant, understandable and comparable to other similar businesses in the industry.

	Six months ended 31 December	
	2019	2018
	$ m	$ m
Receipts from customers	1,572.4	1,203.3
Payments to suppliers and employees	(1,542.0)	(1,209.6)
Net finance cost and investment income paid	(8.9)	(4.8)
Income tax expense paid	(16.6)	(9.3)
Net cash flows from / (used in) operating activities	4.9	(20.4)

6. Update on acquisition of Destinations of the World

6.1 *Summary of acquisition*

In November 2018 the Group acquired 100% of the issued share capital of Destinations of the World and its controlled entities (DOTW). DOTW is a pureplay B2B accommodation wholesale platform, headquartered in Dubai. The company operates through the Middle East, Europe, Asia Pacific and the Americas, connecting highly fragmented suppliers (hoteliers) and travel retailers (travel agents, online travel agents, four operators, and third party-wholesalers).

6.2 *No changes to fair value of assets and liabilities acquired*

There were no further changes to the fair value of assets and liabilities acquired.

6.3 *Change to consideration paid*

The final working capital adjustment was determined in December 2019 following lengthy negotiations with the seller, which involved the use of an expert. This resulted in the net refund due from the Seller reducing by $14.5 million as detailed below.

	Reported 30 June 2019	Change	Adjusted
	$ m	$ m	$ m
Consideration paid or payable comprises:			
Cash paid	174.3	-	174.3
New shares issued	25.2	-	25.2
Deferred consideration	46.8	-	46.8
Estimated refund due to working capital adjustment	(16.7)	14.5	(2.2)
Net consideration paid or payable	**229.6**	**14.5**	**244.1**

Though the reduction in the estimated refund has resulted in a change to the net consideration paid or payable, as the final outcome was determined outside the measurement period which ended 21 November 2019, AASB 3 requires the adjustment is recognised in profit or loss (refer Note 3.2) rather than as an increase to goodwill.

6.4 *Deferred consideration*

As part of the acquisition of DOTW, the Group negotiated a deferred consideration of A$ 46.8 million (as per Note 6.3) or USD 35 million.

This comprised an amount of USD 10 million made up of USD 6.3 million which was payable as part of the completion accounts settlement; USD 1.7 million relating to general warranties which was held in escrow and paid in November 2019; and USD 2 million also held in escrow relating to tax warranties and payable in May 2020.

A further deferred consideration of USD 25 million related to an earn out payable when an agreed EBITDA target for the integrated WebBeds and DOTW business for the 12 months ending 31 December 2019 had been met. On acquisition the discounted amount booked in the accounts was USD 23.8 million.

As at 30 June 2019, i.e., half-way through the earn out window, the forecast EBITDA was reviewed against the target. The forecast was below the earn out target resulting in an adjustment on the carrying value of the liability of A$ 18.5 million.

Subsequently, the EBITDA for the calendar year ended 31 December 2019 did not meet the minimum threshold required for an amount to be paid, as prescribed by the share purchase agreement for calendar year 2019 which is due March 20. This has resulted in the earn-out provision being reduced to nil. As required by accounting standards, the reversal is recognised in profit and loss.

6.4 Deferred consideration (cont.)

The movement in the deferred consideration is as follows:

For the 6 months ended 31 December	Notes	2019 $ m
Opening deferred consideration		27.6
Reversal during the period recognised as income	3.2	(14.5)
Interest expense from unwind of present value		0.3
Impact of FX		(0.2)
Amount paid during the period		(2.8)
Closing deferred consideration		10.4

7. Basis of preparation of half-year report

This general purpose consolidated interim financial report for the half-year ended 31 December 2019 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The historical cost basis has been used, except for financial instruments that are measured at revalued amounts or fair values. The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

The consolidated interim financial report does not include notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the most recent annual financial report and any public announcements made by Webjet Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, excepted as noted in Note 8.

Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest one hundred thousand dollars in accordance with that Legislative Instrument.

8. Adoption of new accounting standards

8.1 AASB 16 Leases

The Group's leasing activities and how these are accounted for

The Group leases various offices. Rental contracts are typically made for fixed periods of 3 to 8 years but may have extension options, with optionality used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Up until 30 June 2019, leases of property were classified as operating leases and payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use lease asset and a corresponding lease liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use lease asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

For the half-year ended 31 December 2019

8.1 AASB 16 Leases (cont.)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use lease assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Practical expedients applied by the Group

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use lease asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

Impact on financial statements

The group has adopted AASB 16 retrospectively from 1 July 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 2.99%.

	As at 1 July 2019 $ m
Operating lease commitments disclosed as at 30 June 2019	14.7
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(0.5)
Lease liability recognised as at 1 July 2019	**14.2**
Of which are:	
Current lease liabilities [i]	5.4
Non-current lease liabilities [i]	8.8
	14.2

(i) Included in other current liabilities and other non-current liabilities on the Balance Sheet.

8.1 AASB 16 Leases (cont.)

The associated right-of-use lease assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use lease assets at the date of initial application.

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

	30 June 2019 $ m	Change $ m	1 July 2019 $ m
Property plant and equipment	23.3	-	23.3
Right-of-use lease assets	-	13.9	13.9
Deferred tax assets	9.6	-	9.6
Lease liabilities	-	(14.2)	(14.2)
Retained earnings	**136.1**	**(0.3)**	**135.8**

Adjusted EBITDA, segment assets and segment liabilities for June 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities, whereas finance lease liabilities were previously excluded from segment liabilities. The following segments were affected by the change in policy:

6 months ended 31 December	2019	2019	2019
	Adjusted EBITDA $ m	Segment assets $ m	Segment liabilities $ m
B2B	1.9	6.8	(6.9)
B2C	0.7	5.2	(5.2)
Corporate	-	-	-
	2.6	**12.0**	**(12.1)**

Had the accounting standard been effective 1 July 2018, the 1H19 EBITDA would have increased by $0.7 million and $1.6 million for B2C and B2B respectively.

8.2 Other new pronouncements effective from 1 July 2019

In addition to AASB 16 noted above, the following minor amendments to standards became effective:

- AASB 2018-1 Amendments to Australian Accounting Standards: Annual improvements 2015-2017 Cycle
- Interpretation 23 Uncertainty over Income Tax Treatments
- AASB 2017-7 Amendments to Australian Accounting Standards: Long-term Interests in Associates and Joint Ventures

The application of the above standards and amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated interim financial report.

9. Dividends declared after period end

	Six months ended 31 December			
	2019 cps	2018 cps	2019 $ m	2018 $ m
Fully paid ordinary shares				
Dividends declared	9.0	8.5	12.2	11.5

10. Subsequent events

Issue of share options

On 3 February 2020, 1,323,799 options were granted to the Senior Leadership Team (excluding the Managing Director) under the Company's long-term incentive ("LTI") plan and equity retention scheme. These FY2020 LTI options have an exercise price of $14.33 and will vest on 30 June 2022. They have an expiry date of 16 September 2024.

Impact of COVID-19

The current COVID-19 outbreak is expected to have an impact on bookings and TTV across our business. In the current environment it is challenging to predict with certainty the expected impact of COVID-19 on 2H20 EBITDA results.

There has not been any matter or circumstance occurring after the end of the financial six-month period, other than COVID 19, that has significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Group in future periods.

Directors' Declaration

The directors declare that:

(a) in the directors’ opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(b) in the directors’ opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the Group’s financial position as at 31 December 2019 and of its performance for the half-year ended on that date.

Signed in accordance with a resolution of the directors made pursuant to s.303 (5) of the Corporations Act 2001.

On behalf of the Directors

Roger Sharp
Chairman

Date: 19 February 2020

Auditor’s Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
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19 February 2020

The Board of Directors
Webjet Limited
Level 2
509 St Kilda Road
Melbourne VIC 3004

Dear Board Members

Auditor’s independence declaration Webjet Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Webjet Limited.

As lead audit partner for the review of the financial statements of Webjet Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stephen Roche
Partner
Chartered Accountants

Deloitte.

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Independent Auditor's Review Report to the Members of Webjet Limited

We have reviewed the accompanying half year financial report of Webjet Limited, which comprises the consolidated balance sheet as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half year or from time to time during the half year.

Directors' Responsibility for the Half Year Financial Report

The directors of the company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of Webjet Limited's financial position as at 31 December 2019 and its performance for the half year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Webjet Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Webjet Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Deloitte.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Webjet Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stephen Roche
Partner
Chartered Accountants
Melbourne, 19 February 2020

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