Webjet Limited

FY20 results highlight the material impact of COVID-19 during 2H20
Heading into FY21 with strong capital position and focus on market share growth

- FY20 results reflect the disruption of global travel and consequent revenue and earnings impact caused by the COVID-19 pandemic:

Underlying Operations (2)	1H20	2H20	FY20
TTV	$2.3 billion	$687 million	**$3.0 billion**
Revenue	$217.8 million	$48.3 million	**$266.1 million**
EBITDA	$86.3 million	($59.9 million)	**$26.4 million**

- Extensive steps were taken to mitigate the impact of COVID-19 and prepare for the recovery of global travel:
  - Costs reduced c.50% (4)
  - Substantially strengthened balance sheet through $346 million equity raising and €100 million ($163 million) Notes issue post balance date
  - An extensive reset of strategic and operating initiatives to maximise performance and market share as markets reopen

- Webjet is entering FY21 in a strong capital position, providing significant financial and strategic flexibility
  - Pro forma cash on hand - $320 million (5)
  - Pro forma liquidity - $420 million (6)
  - Debt maturity extended to November 2022

19 August 2020: Webjet Limited (**Webjet** or the **Company**, ASX:WEB) today announced its financial result for FY20.

Following the Company's record 1H20 result, driven by the performance of its WebBeds business, 2H20 was impacted by the COVID-19 pandemic which caused a significant fall in booking activity in all Group businesses. The Company reported nominal revenues from mid-March 2020 resulting in trading losses during 2H20. In an effort to mitigate the impact of COVID-19, the Company instigated a range of cost reduction measures during March and April 2020, reducing costs by c.50% compared to 1H20(4). Webjet also strengthened its balance sheet through a $346 million Equity Raising in April 2020 and subsequent to balance date, a €100 million ($163 million) Notes offering in July 2020.

Commenting on the result, Managing Director John Guscic said:

> "After a record first half, Webjet was on track to continue its strong growth trajectory, particularly for the WebBeds business. The arrival of COVID-19 had a devastating impact on the global travel industry, including Webjet, in the second half of the year as government-imposed travel restrictions and closed borders. Faced with a significant fall in bookings and nominal revenues in all our businesses, we focused on what we could control. We materially reduced our costs and fortified our balance sheet. We are starting FY21 with a strong capital position offering significant financial and strategic flexibility. On a pro forma basis, we have $320 million in available cash, $420 million in total liquidity and more than two years to refinance the Company's remaining term debt, leaving us well-equipped to survive an extended period of traveller uncertainty."

GROUP PERFORMANCE

The table below shows results for Webjet Limited's Statutory Result and Underlying Operations.

FY20 vs FY19 [1]	Statutory Result				Underlying Operations [2]			
	1H20	2H20	FY20		1H20	2H20	FY20	
			(includes one-offs)				(excludes one-offs)	
TTV	$2,334m	$687m	$3,021m	↓ 21%	$2,334m	$687m	$3,021m	↓ 21%
Revenue	$217.8m	$48.3m	$266.1m	↓ 27%	$217.8m	$48.3m	$266.1m	↓ 27%
EBITDA	$46.4m	($137.7m)	($91.3m)	↓ 171%	$86.3m	($59.9m)	$26.4m	↓ 80%
EBITDA Margin	21.3%	n/a	n/a	↓ nm	39.6%	n/a	9.9%	↓ nm
Tax Expense/(Benefit)	$3.1m	($18.4m)	($15.3m)	↓ 207%	$8.7m	($7.6m)	$1.1m	↓ 92%
NPAT (before AA) [3]	$20.9m	($139.8m)	($119.0m)	↓ 250%	$55.1m	($72.8m)	($17.7m)	↓ 122%
NPAT	$9.0m	($152.5m)	($143.6m)	↓ 338%	$43.2m	($85.5m)	($42.3m)	↓ 168%
EPS (before AA)			(68.1 cents)	↓ 210%			(10.1 cents)	↓ 116%
EPS			(82.1 cents)	↓ 275%			(24.2 cents)	↓ 150%
Effective Tax Rate (excl AA)			11.4%	↓ 394bps			(6.6%)	↓ nm

The Statutory Result includes a number of one-off items totalling $117.7 million, of which $78 million were booked in 2H20 and are largely non-cash. These include $40 million debtors write-off, $14.6 million associated with closure of Webjet Exclusives and $20 million impairment of intangibles from closure of Online Republic Cruise.

Measures to mitigate impact of COVID-19

Cost reductions – During March and April 2020, the Company instigated a range of cost reduction measures helping reduce costs by c.50% compared to 1H20[4]. Key measures included:

- *Employee related costs*
  - Reduction of Board, Managing Director and executive team remuneration (down 20%, 60% and 20% respectively)
  - Total of 515 job reductions (22%) and headcount freeze for all vacancies; 4 day working weeks for majority of remaining staff
- *Operating expenses and other costs*
  - Renegotiations of certain operational and technology contracts
  - Essential CAPEX spend only; ERP CAPEX program rescoped following technology platform initiatives; freeze on all non-essential spend
  - Material decline in transactional and operations expenses tied to TTV including reduced marketing spend with targeted initiatives
- *Other*
  - Closure of Webjet Exclusives and Online Republic Cruise businesses
  - Deferral of 1H20 dividend payment

Strengthening of balance sheet - Proceeds from the $346 million equity raising in April 2020 were used to strengthen the balance sheet and support the unwind of negative working capital and reduction of B2B debtor exposure. During 2H20, B2B debtor exposure risk was significantly reduced from net exposure of $102 to $117 million (as at 30 March 2020) to less than $15 million (as at 30 June 2020).

On 1 July 2020, the Company completed a €100 million ($163 million) Notes offering. Proceeds were used to repay $50 million of the Company's existing term debt and extend remaining term debt maturity to November 2022, as well as being available for ongoing capital management and possibly for acquisition opportunities.

On a pro forma basis taking into account the net proceeds of the Notes offering, as at 30 June 2020 the Company had total cash of $320 million [5] and total liquidity of $420 million [6].

RECOVERY STRATEGIES AND OUTLOOK

After essential worker travel, domestic leisure markets are expected to be the first to open around the world and all Webjet Group businesses are well-placed to capture the pick-up in travel activity.

WebBeds - With a market footprint of 200 destination countries worldwide, a supplier base of more than 350,000 hotels and a distribution network of more than 44,000 customers, WebBeds has a broad and diverse geographic footprint allowing it to capitalise on domestic travel which is expected to recover faster than international due to the timing of border openings. Our strategic objective is to emerge as the #1 B2B player globally.

Webjet OTA – 85% of Webjet OTA flight bookings are domestic and as the #1 OTA in Australia and New Zealand, the Webjet OTA predominantly serves the leisure market. Webjet OTA's strategic objective is to increase market share. Fragmented flight schedules play to the strength of Webjet's unique mix-and-match search technology.

Online Republic - With significant exposure to global leisure markets and its depth of domestic Cars and Motorhomes inventory, Online Republic is well-placed to benefit from the expected domestic-led tourism industry in its key markets of Australia, New Zealand, the USA and Europe.

Commenting on the outlook for FY21, John Guscic said:

> "Whilst it is impossible to predict the timing of market recoveries, travel is recognised as a fundamental driver of global society. Travel is aspirational and exciting and once markets re-open, we expect to see unprecedented airline, hotel and tourism offerings - it will be a time of rediscovering the world.
>
> Our B2C businesses are highly scalable and the strength of the Webjet OTA brand should enable it to thrive as domestic markets open up. Our strategic objective for the WebBeds business is to be the #1 global player and everything we are doing now is focused on ensuring we emerge in a stronger position and giving ourselves the greatest opportunity to achieve that goal.
>
> Our global footprint and reduced cost base provides a powerful platform from which we are determined to maximise to the sustainable benefit of our shareholders and stakeholders."

CAPITAL AND DIVIDEND

Chairman Roger Sharp said:

> "At Webjet we believe there will be a significant opportunity when the COVID-19 pandemic subsides. Already we are seeing pent-up demand for travel in different geographies as conditions permit.
>
> Our strategy is to use this time to sharpen our businesses to ensure we are present and prepared to capture the eventual rebound, providing great service to our customers and partners, and emerging with stronger market shares and profitability.
>
> Never has "cash is king" been a more appropriate epithet for the times we live in. Webjet deliberately recapitalised early to build a war chest so it can operate productively through the downturn.
>
> We have deferred payment of the FY20 interim dividend until 16 April 2021 and, given the ongoing market uncertainty, are not declaring a final dividend for FY20."

This announcement has been approved for release to the ASX by the Board of Directors.

For further information:

Investors
Carolyn Mole
+61 3 9828 9754
carolyn.mole@webjet.com.au

Media
Please contact the History Will Be Kind team at Webjet@historywillbekind.com.au or call on (+61) 02 8046 4848.

ADDITIONAL INFORMATION

BUSINESS UNIT PERFORMANCE

WebBeds

During 1H20, WebBeds was the fastest growing B2B player in the world and had cemented itself as the clear #2 global player. Increased scale has expanded margins and the business was tracking ahead of its "8/4/4 profitability target"[7]. For the 12 months to 31 December 2019, WebBeds had grown to be the largest business unit in the company, reporting more than $96 million in EBITDA, over 60% of total Company EBITDA. The FY20 result highlights the impact of COVID-19 during 2H20 reflecting the nominal bookings, TTV and revenues reported since mid-March 2020. All regions focused on reducing costs as quickly as possible. Q4 operating costs fell 28% compared to the pre-COVID-19 average[8].

A$	1H20	Change	2H20	Change	FY20	FY19[1]	Change	CY19[1]
Bookings ('000s)	2,410	↑ 53%	808	↓ 57%	3,217	3,444	↓ 7%	4,274
TTV	$1,470m	↑ 42%	$395m	↓ 65%	$1,865m	$2,154m	↓ 13%	$2,588m
Revenue	$127.5m	↑ 50%	$26.4m	↓ 73%	$153.9m	$184.5m	↓ 17%	$226.9m
EBITDA	$57.3m	↑ 81%	($42.0m)	↓ 208%	$15.3m	$70.6m	↓ 78%	$96.3m
Revenue Margin	8.7%	↑ 46bps	6.7%	↓ 221bps	8.3%	8.6%	↓ 32bps	8.8%
EBITDA Margin	45.0%	↑ 775bps	n/a	↓ nm	10.0%	38.3%	↓ nm	42.4%

Webjet OTA

During 1H20 the Australian travel market was challenging with reduced capacity, weaker consumer sentiment and the summer 2019/2020 bushfire crisis all impacting demand for travel. However, the strength of the Webjet OTA's brand helped maintain margins and EBITDA remained constant with 1H19. Bookings, TTV and revenue continued to perform to plan until mid-March 2020 then reduced to nominal volumes only for the remainder of 2H20 as Australian and international borders were closed. Due to the significant portion of variable costs in the business, cost reduction initiatives helped reduce Q4 costs by 78% compared to the pre-COVID-19 average[8]. The Webjet Exclusives business, which offered packaged tours mainly to international destinations, was closed during 2H20 as it became unclear when international markets would reopen up for Australian travellers.

A$	1H20	Change	2H20	Change	FY20	FY19[1]	Change	CY19[1]
Bookings ('000s)	795	↑ 1%	330	↓ 58%	1,125	1,565	↓ 28%	1,575
TTV	$708m	↑ 3%	$269m	↓ 61%	$976m	$1,378m	↓ 29%	$1,402m
Revenue	$74.8m	↑ 1%	$18.6m	↓ 76%	$93.3m	$150.5m	↓ 38%	$151.1m
EBITDA	$28.8m	↑ 0%	($6.2m)	↓ 119%	$22.6m	$61.4m	↓ 63%	$61.5m
Revenue Margin	10.6%	↓ 27bps	6.9%	↓ 410bps	9.6%	10.9%	↓ 136bps	10.8%
EBITDA Margin	38.6%	↓ 32bps	n/a	↓ nm	24.2%	40.8%	↓ nm	40.7%

Online Republic

During 1H20, Cars and Motorhomes had performed well with Bookings and TTV up compared to 1H19, and a plan to return Cruise to profitability was underway. TTV and revenues performed to plan until March 2020 however only nominal revenues were delivered for the remainder of 2H20 due to the impact of COVID-19. 2H20 Revenue margins, which were higher than the previous period, reflect TTV adjustments for cancellations. Cost reduction initiatives reduced Q4 costs by 23% compared to the pre-COVID-19 average[8]. The Online Republic Cruise business had been underperforming for some time. In light of the well-documented issues associated with cruise travel given COVID-19, that business was closed during 2H20.

A$	1H20	Change	2H20	Change	FY20	FY19(1)	Change	CY19(1)
Bookings ('000s)	253	⬆ 5%	86	⬇ 66%	339	496	⬇ 32%	508
TTV	$156m	⬆ 7%	$24m	⬇ 85%	$180m	$299m	⬇ 40%	$309m
Revenue	$15.6m	⬇ 4%	$3.4m	⬇ 78%	$18.9m	$31.4m	⬇ 40%	$30.8m
EBITDA	$6.6m	⬇ 9%	($4.9m)	⬇ 181%	$1.7m	$13.3m	⬇ 87%	$12.7m
Revenue Margin	10.0%	⬇ 105bps	14.2%	⬆ 419bps	10.5%	10.5%	⬆ 3bps	10.0%
EBITDA Margin	42.4%	⬇ 264bps	n/a	⬇ nm	9.0%	42.5%	⬇ nm	41.1%

(1) Restated for AASB16
(2) Underlying Operations – FY20 EBITDA excludes one-off items totalling $117.7 million
(3) Acquisition Amortisation – includes charges relating to amortisation of intangibles acquired through acquisition
(4) Q4 average monthly operating expenses (excluding write-down of deposits, commissions and overrides in WebBeds) and CAPEX/Interest/Tax expenses compared to 1H20
(5) Cash and cash equivalents taking into account net proceeds of Notes offering
(6) Cash and cash equivalents taking into account net proceeds of Notes offering plus undrawn credit facilities
(7) 8% revenue/TTV and 4% costs/TTV to deliver 4% EBITDA/TTV
(8) Q4 average monthly operating expenses (excluding write-down of deposits, commissions and overrides in WebBeds) compared to pre-COVID-19 average for 12 months ending 31 December 2019