



Statement to Australian Securities Exchange – 26 June 2014

HELLOWORLD STRATEGY IMPLEMENTATION AND TRADING UPDATE

Helloworld Limited (ASX: HLO) today updated the market on the implementation of the *helloworld* retail strategy, developments in industry accreditation and the current trading outlook.

Strategy Implementation

In July 2013, HLO announced the launch of *helloworld*, a new retail travel brand in the Australian market. Following the announcement of the brand, existing and new franchisees and members were invited to join *helloworld* with the choice of operating under one of three retail models, with applicability across leisure and corporate agents. The new models are: the *helloworld* Branded model; the *helloworld* Associate model; and the *helloworld* Affiliate model.

The retail models are designed to strengthen the consumer offering and optimise the individual businesses of franchisees and members through consolidated marketing and an enhanced incentive structure. Importantly, franchisees and members of the Branded and Associate models have the benefit of *helloworld*'s Customer Charter and Customer Protection Policy, plus a range of additional support services designed to enhance the competitiveness and efficiency of their businesses.

More than 890 locations have signed agreements to join *helloworld* across the three retail models. Based on the current status of the strategic implementation program, it is anticipated that, at the first anniversary of the *helloworld* launch in July 2014, HLO will comprise a network in excess of 1,700 locations across Australia and New Zealand. The emerging view of the network structure indicates that in Australia there will be 300 *helloworld* Branded locations, 400 *helloworld* brand-carrying Associate locations, 300 *helloworld* Affiliate locations and a further 440 locations which are longstanding affiliates of HLO and operate under the Concorde Agency Network.

It is currently anticipated that approximately 100 locations will remain operating across the Harvey World Travel, Travelscene, Jetset Travel and Travelworld brands in Australia. The network of agents operating in New Zealand comprises more than 195 locations, resulting in a total Group network size of over 1,700 locations.

Over 250 Branded locations across Australia have already been refreshed to the *helloworld* branding and signage. In addition, 15 locations have been refitted as Ambassador stores, featuring new branding, design, layout, interiors and furniture. The majority of brand-carrying Associate stores are already refreshed. The response to the store refresh from franchisees, members and consumers has been overwhelmingly positive and the brand's momentum is continuing to build nationwide. This is demonstrated in the following comments from agents.

Debbie Carr, Owner at *helloworld* Surrey Hills, VIC:

"I have been a Harvey World Travel franchise owner for 21 years and I can honestly say that *helloworld* is a change for the better. Our focus has always been on delivering a memorable in-store experience and I believe the new branding and fit-out helps us



achieve that goal. Customers new and old are telling us how much they like the modern branding and emotive advertising of *helloworld*," says Ms Carr.

Glenn Temple, Co-owner of five *helloworld* locations, NSW (Bowral, Mount Annan, Campbelltown Mall, Macarthur Square and an Ambassador store at Shellharbour):

"Our Shellharbour Ambassador store was opened in December in a completely new location, in a high demand shopping centre. We have been very impressed with the way in which the branding and layout drives foot traffic to the store," says Mr Temple.



Image: *helloworld*, Mt Ommaney, QLD

Elizabeth Gaines, CEO of HLO commented that, "in a relatively short period of time, we have developed a strong network of *helloworld* agents that have truly embraced the *helloworld* brand, Customer Charter, products, services and business philosophy. Our *helloworld* agents are proud to be part of a market leading, multi-channel travel company."

"*helloworld* has developed a substantial, nationwide visual footprint through both *helloworld* Branded and brand-carrying Associate locations. Combined with integrated marketing campaigns and a strong digital component through helloworld.com.au, we offer the ultimate flexibility and convenience to our customers."

"Our sustained investment in marketing activity has already delivered a significant presence. *helloworld* integrated campaigns feature in all states across TV, metro and regional press, billboards, digital, search engine marketing and social media. This benefits our agents, customers and suppliers."



"We are very pleased with the progress the Company has made in implementing the *helloworld* strategy since it was launched only 11 months ago. The most critical phase of change is completed and we will now focus our efforts on growing the brand presence in the Australian market," says Ms Gaines.

Industry Accreditation

HLO is pleased to confirm its commitment to join the Australian Federation of Travel Agents (AFTA) Travel Accreditation Scheme (ATAS), which will operate from 1 July 2014. HLO will actively encourage its network of franchisees and members to seek accreditation under ATAS.

HLO CEO Elizabeth Gaines says the introduction of ATAS is a positive step forward for the travel industry, encouraging travel professionals to operate to uniform high standards across Australia.

"ATAS is the result of five years of extensive consultation between AFTA, the travel industry, and State and Federal Consumer Affairs Ministries. ATAS will create a new industry standard following the closure of the old Travel Compensation Fund (TCF).

"We are confident that the introduction of ATAS will provide an accreditation scheme which defines reputable travel professionals and accommodates the changing needs of our customers. HLO's Customer Protection Policy, backed by our unique insurance policy, provides customers transacting with our network of Branded and Associate *helloworld* agents with the peace of mind previously afforded by the TCF. The strong industry standard of ATAS combined with HLO's protection is a competitive strength," says Ms Gaines.

Trading Update

Based on current and recent trading, HLO expects to achieve an Adjusted EBITDAI* outcome in the range of \$40 million to \$41 million for the financial year ending 30 June 2014 (FY14), a result that is within the range of the previously stated market guidance. The Adjusted EBITDAI outcome excludes costs associated with the implementation of *helloworld* and other non-recurring items.

It is pleasing to note that the Group's Australian travel management business, QBT, has benefited from the implementation of restructuring and productivity initiatives and has traded profitably in the last quarter of FY14.

HLO expects that the operating costs associated with the implementation of *helloworld* in the second half of FY14 will be in the range of \$6 million to \$7 million, resulting in full year implementation costs in the range of \$15 million to \$16 million.

HLO will release audited accounts for FY14 in August 2014. The preparation of the full year results will include an assessment of the carrying value of intangible assets to ensure that the balances are appropriately supported based on the outcome of the strategic plan implementation. The outcome of that assessment is currently not certain and any non-cash impairment will be communicated once the review is completed.

Outlook

The size of the Group's retail network, measured by number of locations in Australia and New Zealand, compared to the number as at December 2013 has reduced by approximately 7%. Whilst it is difficult to predict the outcome of the trading conditions for the next financial year, the decrease in network numbers is expected to result in a reduction in Adjusted EBITDAI of between \$5 million and \$10 million. This reduction is expected to be partly mitigated by growth in online trading through *helloworld.com.au*. HLO remains committed to investing in marketing with a key focus on growing brand awareness and driving customer traffic to our network of passionate and committed agents and members.

The focused, consolidated *helloworld* network will provide a strong platform for future growth in a multichannel environment. With the implementation of *helloworld* largely completed by 30 June 2014, there will be a significant reduction in implementation costs and other non-recurring items in the financial year ending 30 June 2015 (FY15). As a consequence, and subject to trading conditions, Profit Before Tax is expected to improve significantly in FY15.

ENDS Media enquiries to Linsey Brown, S2i Communications, +61 (0)29231 2927, Linsey@s2i.com.au

* Adjusted EBITDAI represents earnings before interest expense, taxes, share based payments, depreciation, amortisation and impairment. Adjusted EBITDAI is the primary measure used by the Board to assess the financial performance of the Group and operating segments. Adjusted EBITDAI excludes other significant or unusual items of income or expense.

About HLO:

- Helloworld Limited (ASX: HLO) is a leading Australia-based travel distribution company, comprising retail travel businesses, air ticket consolidation, wholesale, corporate and online operations. This includes *helloworld*, Australia's largest network of franchised travel agents, and *helloworld.com.au*.
- *helloworld* is a nationwide network of independently owned and operated stores, offering Australian travellers unparalleled convenience, industry-leading service and the best value, tailor-made holidays.
- *helloworld* has been creating lasting travel memories for more than 40 years through the Harvey World Travel, Jetset Travel, Travelworld and Travelscene American Express brands.