# HELLOWORLD ANNOUNCES RESULTS
# FOR THE YEAR ENDED 30 JUNE 2014

## HIGHLIGHTS

- Total Transaction Value (TTV) of $4.9 billion
- Adjusted EBITDAI[(1)] of  $40.6 million
- Loss before tax of $61.2 million includes the loss on disposal of the Inbound business, non-cash goodwill impairment and cost of business transformation
- Continued focus on cost reduction and efficiency initiatives resulting in a 10% reduction in operating costs
- Basic loss per share of 14.38 cents per share
- Announced today an on-market share buy-back program of up to 2.5% of issued share capital
- Awarded Australia's Best Travel Agency Group (100 outlets or more) by AFTA
- Positive momentum in the business transformation strategy with the achievement of key milestones including:
  - Launch of the *helloworld* brand to the Australian consumer
  - Close to 1,000 stores signed to the *helloworld* retail models
  - Launch of helloworld.com.au
  - Joined Australian Federation of Travel Agents (AFTA) Travel Accreditation Scheme (ATAS)
  - Sale of Inbound business to AOT Group
  - Jetset Travelworld Limited changed its name to Helloworld Limited

## Summary of Results

The results for the year ended 30 June 2014 are summarised as follows:

| | 30-Jun-14 | 30-Jun-13[(2)] | |
|---|---|---|---|
| | **$ million** | **$ million** | **% Change** |
| Total transaction value (TTV) | 4,861.0 | 5,177.4 | -6% |
| Revenue | 291.7 | 332.8 | -12% |
| Adjusted EBITDAI [(1)] | 40.6 | 54.1 | - 25% |
| (Loss)/profit before tax | (61.2) | 26.7 | - 329% |
| (Loss)/profit after tax attributable to members | (63.3) | 16.2 | - 492% |
| | **Cents per share** | **Cents per share** | **% Change** |
| Basic (loss)/earnings per share | (14.38) | 3.68 | - 491% |
| Diluted (loss)/earnings per share | (14.38) | 3.63 | - 496% |
| Interim dividend per share | - | 1.00 | -100% |
| Final dividend per share | - | 0.50 | - 100% |

(1) Adjusted EBITDAI is earnings before interest expense, tax, share-based payments, depreciation, amortisation and impairment adjusted for significant and/or unusual items of revenue or expense. Adjusted EBITDAI is a financial measure which is not prescribed by Australian Accounting Standards but is the measure used by the Board to assess the financial performance of the Group and operating segments. A reconciliation of Adjusted EBITDAI to (Loss)/Profit before tax is contained in the Appendix to this announcement.

(2) Financial year ended 30 June 2013 has been restated as a result of changes in relevant accounting policies.

Helloworld Limited (ASX: HLO) today announced its results for the year ended 30 June 2014.

HLO Chief Executive Officer Elizabeth Gaines said, “The year ended 30 June 2014 has been a period of significant change for the Group, with the achievement of a number of important milestones in the implementation of the Company’s transformation plan.

“For the year ending 30 June 2014 (FY14), the Group achieved an Adjusted EBITDAI of $40.6 million. Consistent with market guidance, the result was 25% lower than the corresponding period last year. The full year result reflects the impact of the transition to *helloworld* and the realignment of the commercial arrangements between HLO and its franchise networks. HLO has maintained its focus on cost containment and operating costs for the year were $27.5 million or 10% lower than the corresponding period last year.

“The Group’s Loss before tax of $61.2 million includes the $5.5 million loss recorded on the disposal of the Inbound business, non-cash goodwill impairment of $59.5 million, the implementation costs of $15.8 million associated with the Company’s transformation plan and the $2.7 million cost arising from the Federal Court decision in the GST court case. The Group recorded a Profit before tax of $22.4 million excluding the impact of these non-recurring items.

“This outcome is in line with expectations during a period when the Group has been engaged in implementing the transformation plan. Following the launch of *helloworld* in July 2013, existing and new franchisees and members were invited to join *helloworld* under one of three retail models. The retail models are: the *helloworld* Branded model; the *helloworld* Associate model; and the *helloworld* Affiliate model.

“Close to 1,000 locations have joined *helloworld* across the three retail models. In June 2014, HLO comprised a network in excess of 1,700 locations across Australia and New Zealand, including 300 *helloworld* Branded locations, close to 400 *helloworld* brand-carrying Associate locations, 300 *helloworld* Affiliate locations, 440 long standing Affiliates operating under the Concorde Agency Network, 195 agents operating in New Zealand and approximately 100 locations that will remain operating under the Harvey World Travel, Travelscene, Jetset and Travelworld brands.

“In July 2014, *helloworld* was awarded the highly coveted ‘Best Travel Agency Group (100 outlets or more)’ at the Australian Federation of Travel Agents (AFTA) National Travel Industry Awards (NTIA). In addition, seven of *helloworld’s* members and franchisees received awards at the event and Air Tickets again won the award for ‘Best Agency Support Service’. To be recognised as Australia’s Best Travel Agency Group after only one year is a significant achievement and a strong validation of the strength of HLO’s network of expert travel agents and the HLO franchise model value proposition.

“In addition, over the past year we have entered into a strategic alliance with Orbitz Worldwide Inc for *helloworld* online and our digital offering, helloworld.com.au, has launched to consumers. In August 2014, we launched the helloworld.com.au Android mobile app and the iOS mobile app is expected to be available in September 2014.

“We are very pleased with the progress the Company has made in transforming the business over the past 12 months. The most critical phase of the change is now completed and we are focused on growing *helloworld’s* brand presence in the Australian market”, said Ms Gaines.

**Segment Performance**

**Retail Segment**

The Retail segment generated TTV of $3.6 billion for the year ended 30 June 2014. The Retail segment generated Adjusted EBITDAI of $50.5 million which is a 25% decrease on the prior year corresponding period result of $67.6 million. Revenue decreased by 12% to $160.7 million with operating costs reducing by $5.3 million (5%) for the year reflecting a continued focus on cost management. The Retail segment has undergone a comprehensive change which has resulted in a reduction in network size of approximately 7% when compared to December 2013.

Following a review of the carrying value of intangible assets at 30 June 2014, it was considered prudent to effect a non-cash goodwill impairment of $59.5 million.

**Wholesale Segment**

Adjusted EBITDAI for the Wholesale segment for the year ended 30 June 2014 was $12.4 million with TTV decreasing by 11% from $799 million to $708 million. Net Revenue of $88.6 million decreased by 15% compared to the prior comparative period and operating costs in the Wholesale segment have reduced by 16%.

The results include trading for the ATS Inbound business until the disposal of the business on 30 September 2013. When the Inbound business trading is excluded, Wholesale Adjusted EBITDAI increased by $0.7 million (6%) and TTV and Net Revenue decreased by 4% and 5% respectively. The Revenue Margin decreased marginally by 0.1% from 12.4% to 12.3%, reflecting growth in lower margin cruise volumes and the mix of business between online and offline channels.

The Revenue Margin improved by 2% in the second half of FY14 compared to the first half as a result of a continued focus on pricing initiatives and reduced volatility in foreign exchange rates. Excluding the ATS Inbound business, operating costs decreased by $5.0 million (6%) due to the continued focus on productivity improvements and operational efficiencies.

**Travel Management Segment**

The Travel Management segment traded profitability in FY14, with an Adjusted EBITDAI of $0.5 million representing an improvement of 120% on the prior comparative period loss of $2.5 million.

TTV attributable to the Travel Management segment decreased by 7% to $566 million for the year ended 30 June 2014. The reduction in TTV primarily reflects reduced corporate customer volumes. Revenue decreased by $2.2 million (5%) compared to the prior comparative period, with a focus on pricing initiatives minimising the impact of the lower TTV.

Operating expenses in the Travel Management segment decreased by $5.2 million (12%) during the year as a result of realising the benefits of the restructuring initiatives and productivity improvements.

## Liquidity and Funding

Total cash on hand at 30 June 2014 was $184.3 million consisting of client funds of $155.8 million and general cash of $28.5 million.

The Group reported a net cash outflow from operating activities for the year ended 30 June 2014 of $30.8 million. The outflow is due to an additional airline payment (IATA settlement) in June 2014 and transformation costs funded from existing cash reserves.

At 30 June 2014, the Group had access to total finance facilities (including letter of credit facilities) of $96.4 million with $35.2 million utilised and remaining headroom available of $61.2 million. The non-amortising finance facilities of $81.4 million were extended in April 2014 for a further five years and an additional amortising facility of $15.0 million was established.

## Dividend and On-market Share Buy-back Program

In accordance with the dividend policy, the Board has determined that the Company will not pay a final dividend.

Helloworld today announces that it is initiating an on-market share buy-back program of up to 2.5% of the Company's issued share capital. The Board considers that it is appropriate to establish a buy-back program to give the Company flexibility to repurchase shares on an opportunistic basis, particularly in times of market or share price volatility. The buy-back will not limit the Company's future expansion plans and the Company remains fully committed to its growth strategy.

## Outlook

Ms Gaines said, "Following the successful implementation of the *helloworld* brand and digital offering, HLO expects to fully participate in the forecast growth in travel in Australia. Growth will be achieved through targeted consumer marketing and campaigns aimed at driving increased customer traffic to our network of franchisees and members supported by a strong digital offering.

"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 combined with the enhanced agent incentive structure and a commitment to growing the *helloworld* brand through an increased investment in marketing 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.

"The focused, consolidated *helloworld* network will provide a strong platform for future growth in a multichannel environment. In addition, with the implementation of *helloworld* largely complete and subject to trading conditions, Profit before tax is expected to improve significantly in FY15, reflecting a reduction in implementation costs, impairment charges and other non-recurring items."

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## Appendix:

## 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* was awarded Australia's Best Travel Agency Group (100 outlets or more) at the 2014 National Travel Industry Awards.
- *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.

## Reconciliation of Adjusted EBITDAI

A reconciliation of Adjusted EBITDAI to (Loss)/profit before income tax is provided as follows:

| | **June 2014 $'000** | **June 2013 $'000(1)** |
|---|---|---|
| **Adjusted EBITDAI** | **40,561** | **54,141** |
| Loss on disposal of investments | (5,473) | - |
| Business transformation costs | (15,847) | (10,785) |
| Share-based payments | (115) | (616) |
| Costs relating to GST matter | (2,738) | (31) |
| Costs relating to disposal of investments | (60) | - |
| VAT settlement | - | (606) |
| Fair value loss on Investment Property | - | (246) |
| CEO resignation/retirement costs | (608) | (797) |
| **EBITDAI** | **15,720** | **41,060** |
| Depreciation | (5,763) | (5,960) |
| Amortisation | (8,269) | (4,845) |
| Non-cash impairment of goodwill | (59,500) | - |
| Finance costs | (3,354) | (3,601) |
| **(Loss)/profit before income tax** | **(61,166)** | **26,654** |

(1) Financial year ended 30 June 2013 has been restated as a result of changes in relevant accounting policies.