



corporate travel
management

18 December 2015

ASX Release

Corporate Travel Management to acquire Montrose Travel (CA, USA)

Upgrades FY16 guidance

Corporate Travel Management Limited (CTM, ASX code: CTD), today announced the acquisition of Montrose Travel, situated in the Los Angeles area, California. Montrose Travel is a highly regarded travel company that has been operating for more than 60 years.

CTM's strategic rationale behind this acquisition:

The acquisition is EPS accretive and is in line with CTM strategic rationale to;

- Expand CTM's USA coverage to California, one of the largest states in the USA for corporate travel. CTM will now operate out of 19 cities within the USA.
- Build scale. CTM North America will further leverage buying power and client facing solutions in North America. The addition of Montrose Travel will take CTM's North America Total Transaction Value on an annual basis above AUD1bn in CY16, making CTM one of the top 12 players in the USA market in just 3 years.
- Leverage Montrose Travel's loyalty rewards expertise. Montrose has a reputation as one of North America's best loyalty rewards travel providers with some of the largest rewards clients in the world. Together with CTM's consumer-facing technology, and global footprint, there is an opportunity to expand the model across the USA and globally, and enhance the value proposition to current and future rewards clients both in the USA and abroad.

CTM Managing Director Jamie Pherous said: "Montrose Travel is an iconic business in California, operating for more than 60 years. They meet our strict acquisition criteria; they possess a capable and passionate management team, are leaders in travel in their region, enjoy high client and staff retention, and will take ownership in CTM stock."

This partnership is the result of more than 12 months of working closely together on programs and clients on both sides of the Pacific.

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In commenting on the opportunities, Mr Pherous said: “We are delighted to have Montrose Travel become our California hub to lead future growth in this high value region of North America. Montrose Travel has an excellent reputation and track record of looking after their staff and clients, two qualities that we value.

“Together with our well established businesses in North America, we can significantly improve our offering for local, regional and global clients.”

President of Montrose Travel, Joe McClure said: “We have watched CTM build a wonderful business over the years based on highly personalised service delivery with best-in-class technology solutions. We share this same philosophy. We have worked closely together on clients on both sides of the Pacific and have built great rapport and trust with CTM’s senior management. We believe CTM is an excellent fit to enhance our service offering to both current and future clients, while providing exciting new career opportunities for our employees.”

Financial considerations and funding:

- Base consideration is USD34.32m (AUD47.6m), representing approximately 6x CY15 profit, with a one year earn-out provision for out-performance.
- The acquisition will be funded through a combination of stock (20%) to founders with the balance (80% or USD27.46m) via a mixture of USA operating cash flow and USD denominated short term debt.
- The strong cash flow generated from the USA operations gives CTM considerable flexibility to fund future acquisitions. We will also benefit from funding in the local currency given our growing USD denominated income.
- The acquisition is targeted to take effect from 1 January 2016 and will contribute approximately AUD4.0m in EBITDA over six months trading to CTM’s FY16 results (AUD8.0m on an annualised basis).

FY16 Guidance update:

At the CTM AGM, the Managing Director announced that CTM was trading at the top end of EBITDA guidance (approximately AUD63.8m). As a result of this acquisition, the Board expects underlying EBITDA guidance to be at or around AUD68.0m for FY16. This guidance update is a result of continued execution by CTM, and a six month contribution from Montrose Travel of approximately AUD4.0m to this financial year.

About CTM

CTM is an award-winning provider of innovative and cost effective travel management solutions to the corporate market. Its proven business strategy combines personalised service excellence with client facing technology solutions to deliver a return on investment to clients. Headquartered in Australia, the company employs over 1,800 FTE staff globally and operates out of 81 cities in 53 countries.

About Montrose Travel

Celebrating 60 years in business, Montrose Travel, a family owned travel management company, has grown from 14 employees in 1990 to more than 230 today and is now firmly established as a top 40 travel management company in the USA. Montrose Travel strives to provide the highest quality services with the slogan "We will be here tomorrow to back up our promises of today". Please visit montrosetravel.com and MTravel.com (for independent travel professionals).

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