



Helloworld Limited

ACN 091 214 998 (ASX: HLO)

# Acquisition of 50% of MTA and capital raising

21 October 2016

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All dollar values are in Australian dollars (\$ or AUD) unless stated otherwise. All references starting with “FY” refer to the financial year ending 30 June. For example, “FY16” refers to the financial year ending 30 June 2016.

Investors should note that this presentation includes unaudited financial information for MTA that has been prepared by MTA management for the historic period ending 30 June 2016 and has been adjusted by Helloworld management based on their due diligence. Pro-forma adjustments have been made in order to exclude one-off transaction costs associated with the Placement and Acquisition from reported earnings. Investors should note that this information has not been audited and is based on management estimates and not on financial statements prepared in accordance with applicable statutory requirements. Accordingly, investors should treat this information with appropriate caution.

Financial information in relation to the assets to be acquired pursuant to the Acquisition has been derived from unaudited financial statements and other unaudited financial information made available by MTA in connection with the Acquisition. The pro forma financial information for Helloworld following the acquisition of MTA is provided for illustrative purposes only.

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# Agenda

1. Introduction
2. Overview of MTA
3. Details of the equity raising
4. Risks and Foreign Selling Restrictions

# Helloworld acquires 50% of MTA to expand its network

<b>Acquisition overview</b>	<ul style="list-style-type: none"> <li>▪ Helloworld has agreed to acquire 50.0% of Mobile Travel Holdings Pty Ltd and its subsidiaries (<b>MTA</b>) – a leading home based travel consultancy business in Australia.</li> <li>▪ Existing shareholders and management of MTA will continue to be involved in the business</li> <li>▪ MTA produced in FY16, TTV of \$168.9 million, revenue of \$27.8 million and EBITDA of \$3.3 million</li> <li>▪ Helloworld to pay cash consideration of \$14 million (for 50.0%) with option to acquire remaining 50% in 5 years time at a multiple of 7.0x historical EBITDA</li> <li>▪ Expected to complete on or about 30 November, 2016, subject to customary conditions</li> </ul>
<b>Strategic rationale</b>	<ul style="list-style-type: none"> <li>▪ Provides Helloworld with more reach and expands network</li> <li>▪ Significant footprint in a sector that is experiencing accelerated growth both in Australia and globally</li> <li>▪ Adds scale and operating leverage bringing increased economies of scale</li> </ul>
<b>Financial impact and funding</b>	<ul style="list-style-type: none"> <li>▪ MTA is forecast to achieve \$3.8 million of EBITDA for FY17</li> <li>▪ Acquisition implies a forward EV/FY17 EBITDA multiple of 7.3x</li> <li>▪ Expected to have a neutral contribution on FY17 earnings</li> <li>▪ MTA EBITDA growth of 24.6%, 34.8% and 28.1% experienced in FY16, FY15 and FY14 respectively</li> <li>▪ Funding through approximately \$30.0 million fully underwritten institutional placement of fully paid ordinary shares in HLO at the underwritten floor price of \$4.25 per share</li> </ul>
<b>Key risks</b>	<ul style="list-style-type: none"> <li>▪ Refer to page 13 for details</li> </ul>



# Overview of MTA



# Overview of MTA

- Home based travel consultancy service provided by franchised mobile travel consultants throughout Australia
- MTA brings experienced mobile travel consultants directly to customers – wherever that customer may be
- Approximately 350 members nationally
- Expert travel consultants are backed by 24/7 access to live airline, hotel, tour and package reservation systems anywhere, anytime and 24/7 Head Office airline ticketing and support

<b><u>MTA financial results</u></b>	<b>FY13 \$m</b>	<b>FY14 \$m</b>	<b>FY15 \$m</b>	<b>FY16 \$m</b>
<b>Total Transaction Value (TTV)</b>	103.5	128.2	153.9	168.9
<b>Gross Profit</b>	4.9	5.9	7.4	8.5
<b>EBITDA</b>	1.5	1.9	2.6	3.3
<b>EBITDA Growth</b>		28.1%	34.8%	24.6%

# MTA and Helloworld at a glance

- MTA will be a corporate member of Helloworld and will have access to the Helloworld Group's buying power and product range
- MTA gives Helloworld access to a rapidly expanding market – supports the omni-channel strategy
- MTA's budgeted EBITDA for FY17 is \$3.8 million
- MTA is an attractive acquisition for Helloworld for several reasons
  - Provides Helloworld with more reach and expands network;
  - Gives Helloworld a significant footprint in a sector that is experiencing accelerated growth both in Australia and globally; and
  - Adds economies of scale, operating leverage and cross promotion of products.





Details of the equity raising

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# Overview of Funding

- Consideration of \$14.0 million for 50.0% of MTA
  - Funded through a fully underwritten \$30.0 million institutional placement (“**Placement**”) of approximately 7.0 million fully paid ordinary shares in Helloworld at the underwritten floor price of \$4.25 per share\*
  - Option to acquire the remaining 50.0% from vendors in 5 years time (2021)
- Net debt to reduce by approximately \$14.5 million
- Enhanced balance sheet and liquidity position

\* Ranking equally in all respects with existing Helloworld quoted shares

## Sources and uses (\$m)

Sources	\$m	Uses	\$m
Fully underwritten institutional placement	30.0	MTA acquisition price	14.0
		Repayment of debt and transaction costs	16.0
<b>Total sources</b>	<b>30.0</b>	<b>Total uses</b>	<b>30.0</b>

# Institutional Placement

<b>Offer Structure and Size</b>	Fully underwritten institutional Placement of approximately 7.0 million fully paid ordinary shares to raise approximately \$30.0 million (at the underwritten floor price of \$4.25 per share)
<b>Issue Price</b>	<p>Underwritten floor price of \$4.25 per share under the Placement with final issue price determined via a book build ("<b>Placement Price</b>")</p> <ul style="list-style-type: none"> <li>- 9.4% discount to last close price of \$4.69 as at Thursday, 20 October 2016</li> <li>- 7.4% discount to the 30-day VWAP of \$4.59 as at Thursday, 20 October 2016</li> </ul>
<b>Ranking</b>	Equally in all respects with existing shares on issue
<b>Use of Proceeds</b>	Proceeds from the Placement will be used to part fund the consideration payable by Helloworld for the Acquisition, repay debt and pay associated transaction costs
<b>Underwriting</b>	Placement is fully underwritten by Ord Minnett Limited



# Indicative Timetable

<ul style="list-style-type: none"> <li>▪ Trading halt</li> <li>▪ Bookbuild for Placement conducted</li> </ul>	<b>Friday, 21 October 2016</b>
<ul style="list-style-type: none"> <li>▪ Announcement of completion of Placement (before market opens)</li> <li>▪ Trading halt lifted; normal trading resumes</li> </ul>	<b>Monday, 24 October 2016</b>
<ul style="list-style-type: none"> <li>▪ Settlement of shares issued under the Placement</li> </ul>	<b>Wednesday, 26 October 2016</b>
<ul style="list-style-type: none"> <li>▪ Commencement of trading of shares issued under the Placement</li> </ul>	<b>Thursday, 27 October 2016</b>

Note: Dates and times are indicative only and subject to change without notice. Helloworld reserves that right to alter the dates in this document at its discretion and without notice subject to the ASX Listing Rules and the Corporations Act. All dates refer to Sydney, Australia time.

# Key Risks & Foreign Selling Restrictions





# Business risks and acquisition risks

The principal risk factors which Helloworld shareholders and investors should consider include those described below. The risks identified in this section are not exhaustive.

<b>Completion risk</b>	The MTA 50% acquisition does not complete on the scheduled completion date of 30 November 2016 or at all (for example because of the failure of a condition precedent or the absence of a key completion deliverable).
<b>Changes in economic conditions</b>	The financial performance of Helloworld and MTA could be affected by changes in economic conditions both within and outside Australia including in respect of economic growth, unemployment levels and consumer confidence, underlying cost structures for labour, technology and service charges, inflation and interest rates, and exchange rates.
<b>Commercial and operational risks</b>	Helloworld and MTA will be subject to general commercial and operational risks, including the loss or bankruptcy of major clients or major suppliers, increased competition and other causes of business interruption, which may have a material adverse impact on Helloworld and MTA in the future. In addition, the competitive landscape faced by Helloworld and MTA agents will change and the merger benefits could be eroded in the long-term through competition. These events could materially adversely affect Helloworld and/or MTA's future financial performance.
<b>Technology risks</b>	Helloworld and MTA will rely heavily on internet and other technology operating platforms (both internal and external) that may be susceptible to technical problems and viruses. Although Helloworld and MTA will have appropriate systems in place to manage the impact of these risks, such occurrences have the potential to interrupt the efficient conduct of Helloworld's and MTA's businesses.
<b>Demand risk</b>	The operations and profits of Helloworld and MTA may be affected by fluctuating levels of demand for the travel services offered by Helloworld and MTA. Travel demand is sensitive relative to disposable consumer income, which in turn is influenced by many variables including changes in interest rates and mortgage repayments, levels of unemployment, the fundamental price of travel in its own right (including any impact that arises from increases in the cost of oil or changes in foreign exchange rates), bowser petrol price shocks, consumer confidence and the buoyancy of the stock market. Travel demand can also be affected by certain events that can affect travellers' preparedness to travel, including pandemics, terrorism incidents, natural disasters, civil unrest and wars.

# Business risks and acquisition risks (cont...)

<b>Reliance on key personnel</b>	The continued success of Helloworld and MTA will, in part, be reliant on the future performance, abilities and expertise of its senior management team. There is no guarantee that Helloworld and MTA will be able to retain the services of these employees in the future on acceptable terms.
<b>Client relationships</b>	Helloworld and MTA have key commercial contracts. Contracts have specified service level agreements under which they provide specified travel related services. If Helloworld or MTA does not satisfy its obligations under these agreements, this may lead to termination of the contract. Further, some contracts with customers may have expired and are operating on a rollover basis. Significant clients may choose to terminate their agreements, fail to renew their agreements for further terms or become financially distressed or insolvent. Helloworld's or MTA's financial performance would be adversely affected if key customer contracts were terminated or not renewed or these customers were unable to operate.
<b>General market risks</b>	Generally, the market price of Helloworld shares will be affected by factors that impact on the market price of all ASX listed shares (such as economic policy, international market, economic or political conditions and changes in investor sentiment relating to domestic and international stock markets). The market price of Helloworld shares may rise or fall over any given period as a result of one or a combination of these factors over which Helloworld and the Helloworld Board have no control.
<b>Foreign exchange risk</b>	Helloworld and MTA operate in multiple jurisdictions and will source products internationally. As a result, Helloworld and MTA are exposed to fluctuations in foreign exchange rates. Adverse movements in exchange rates may have a material adverse effect on the future financial performance of Helloworld and MTA.

# Business risks and acquisition risks (cont...)

<b>Industry competition</b>	Helloworld and MTA will face strong competition from both Australian and international travel companies, including online travel companies and from product suppliers and other providers of travel related goods and services. To the extent that there is price discounting or other changes in strategy by existing competitors, or new entrants to the markets in which Helloworld and MTA will operate, the market share of, and the margins earned by, Helloworld and MTA (and therefore its future financial performance) may be adversely affected.
<b>Changes in regulatory and legal environment</b>	Helloworld and MTA will be subject to, and must comply with, changes in the regulatory conditions under which it operates, including the requirements of the Corporations Act, ASIC policy and the Listing Rules. Changes to legislation or policy and procedures may affect Helloworld and MTA, its business operations and financial performance, or have other unforeseen implications.
<b>New technology</b>	The ability of Helloworld and MTA to compete effectively in the future will, in part, be driven by its ability to effectively maintain and update its technology platforms. Failure to maintain appropriate standards of technology may adversely affect the future operating and financial performance of Helloworld and MTA.
<b>Loss of reputation, brand risk</b>	The success of Helloworld and MTA will be affected by its reputation and branding. Unforeseen issues or events that diminish Helloworld's and MTA's reputation or branding may impact on its future growth and profitability.
<b>Litigation and legal risk</b>	In the course of its operations, Helloworld and MTA may be involved in disputes, industrial action and litigation. There is a risk that any material or costly dispute or litigation or industrial action could adversely affect the value of the assets or the future financial performance of Helloworld and MTA as well as their reputation and branding.
<b>Interest rate risk</b>	Helloworld and MTA will be exposed to changes in interest rates as a borrower of money and as a result of interest earned on cash balances for pre-payment of travel products. Increases in interest rates may also affect consumer sentiment and the level of consumer demand, potentially leading to a decrease in consumer spending.

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# Glossary

<b>Acquisition</b>	The proposed acquisition of 50% of MTA
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	ASX Limited or, as the context requires, the financial market known as the Australian Securities Exchange
<b>Corporations Act</b>	Corporations Act 2001 (Cth) as amended from time to time
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation
<b>EV</b>	Enterprise value
<b>FY</b>	Financial year ending 30 June
<b>Listing Rules</b>	The official listing rules of the ASX
<b>MTA</b>	Mobile Travel Holdings Pty Ltd and its controlled entities, referred to as Mobile Travel Australia
<b>TTV</b>	Total transaction value (TTV represents the price as which travel products have been sold across MTA as agents for various airlines and other service providers, plus revenue from other sources)

Thank you