

ASX ANNOUNCEMENT

Wotif.com Holdings Limited ABN 41 093 000 456
Monday 21 October 2013

Market Release – AGM Addresses

In accordance with Listing Rule 3.13.3 please find attached for release to the market copies of the Chairman's and Managing Director's addresses to be given at the Company's Annual General Meeting today.

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WOTIF.COM HOLDINGS LIMITED

CHAIRMAN'S AND MANAGING DIRECTOR'S ADDRESSES

**Eighth Annual General Meeting of Shareholders
to be held on 21 October 2013 at 2.30 pm**

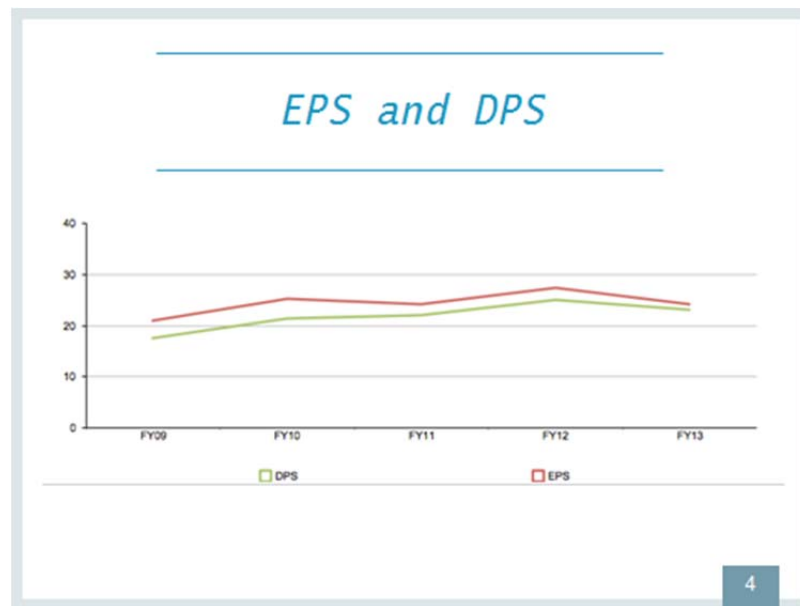
CHAIRMAN'S ADDRESS

Before moving to the formalities outlined in the Notice of Meeting circulated on 17th September 2013, I would like to make a few observations about the results from the last financial year, and where we see Wotif today. The Company's Managing Director and CEO will then address the meeting on the changes he has led since he joined the Company, and how the Company has moved into the current 2014 financial year.

The results for the 2013 financial year should be seen in the context of the reconciliation of the accounting differences shown on page 6 of the Company's FY2013 Annual Report. This reconciliation shows that a number of items affected the comparison between the FY2012 and FY2013 results. Tracking the reported net profit after tax (NPAT) since the 2009 financial year, and then adjusting it for the write-back of expired staff options expenses, brand write-offs and accelerated depreciation, gives us a better feel for the performance of the Company. The table below shows profit surges in the even years and steady growth overall:

| NPAT (\$) | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 |
|-----------|--------|--------|--------|--------|--------|
| Reported | 43.5M | 53.0M | 51.0M | 58.0M | 51.0M |
| Adjusted | 43.5M | 53.6M | 51.6M | 56.1M | 54.1M |

The relationship between earnings per share and dividends per share has been relatively stable with some adjustments to the dividend payout ratio. These adjustments are generally applied to smooth out dividend payments. This is best illustrated graphically.



The results delivered in the 2013 financial year tell much about the current business. They show that the Company's core accommodation and Asian businesses have not produced the growth evident in the Company's early years. The end of an era of double-digit growth in accommodation bookings marks a turning point in the development of Wotif. It can no longer see itself as a single purpose accommodation booking transaction service.

The broader travel market in Australia offers Wotif an opportunity to be much more than an online accommodation matchmaker for accommodation houses and travellers. The extension of the *travel.com.au* airline travel booking service into *Wotif flights* and its clever multi-leg international online booking capability has delivered remarkable growth. The Company's approach to *Wotif flights* reminds us yet again that the creative and innovative spirit is a powerful driver within Wotif.

Wotif flights' success says much more than its contribution to profits at time when accommodation booking growth is not delivering the growth we experienced in the early years of the Company's development. I think that it is fair to say that the online accommodation booking market has not reached its potential over the past few years. Perhaps I can help explain why by referring to the my address to the 2009 Wotif AGM which observed that *"... the choice offered to our customers creates an efficient marketplace. This doesn't mean that the emergence and success of the internet travel model signals the end of traditional travel services. They continue to play a role in a broader travel market by offering an opportunity for travel*



consultants to share their experiences with travellers who have an interest in discovering new destinations...".

Supported travel bookings through traditional travel agencies accelerated dramatically after 2009. This was a period when overseas travel became both more affordable and fashionable. The growth in self-booked accommodation slowed. At the same time, competition from the big overseas online bookers replaced the many failed start-ups.

Nobody expects that Wotif can become the largest single purpose online accommodation booking processor in the world. We need to be more than big! Wotif's tactical responses to the pressures it is facing today have developed into a fully integrated transitional strategy led by a new chief executive officer. Scott Blume joined Wotif in January and has used his breadth of experience in the wider travel industry to create and articulate a set of strategies which will take Wotif into the future.

The first two pillars of the Company's five pillar strategy announced on 24 June 2013 are Traffic Monetisation and Content. They recognise how important it is to better service the Company's large user base and take greater benefit from its extensive accommodation inventory.

Wotif has the support of an extremely loyal group of repeat users. We know that they respond to propositions which create value. Our experience with accommodation, air travel, and theatre ticket packages is one of the more notable recent examples of this. The development of the operating systems to support more dynamic packages creates an opportunity to add value to our accommodation and flights booking service.

Meanwhile, getting better value for those who supply the accommodation we sell will be through alliances to plug gaps and by making our inventory available to other accommodation bookers. The alliances with Japan's Rakuten and others offering corporate travel services within Australia are current examples of how Wotif is able to reduce the cost of securing inventory in other parts of the world and better exploiting the Company's existing accommodation inventory.

The loyalty of our users and the strength of our accommodation inventory are important considerations for our marketing teams at a time when search engine fees are exerting considerable pressure on the Company's costs. Interestingly, Wotif's



reliance on the internet search engines to deliver visitors to its main internet site is clearly less than for many of its competitors. The interplay between search engine marketing, traditional brand advertising, and customer loyalty has a significant influence on how travellers find an online booking service. Put simply, repeated usage by a large group of loyal customers reduces Wotif's reliance on search engine marketing.

The skills within Wotif stretch further than the leaders, innovators, technologists and marketers. The commitment of the wider group of employees cannot be ignored. The Company's remuneration systems remain tightly focussed on growth. Shareholder returns take a place in the remuneration provided for the leadership team. The Board takes no satisfaction from the plain and simple fact that the Company's performance last financial year did not produce any cash incentives beyond some small recognition for the special efforts of a few.

Finally, this is the first AGM attended by David Do and the first one not attended by Andrew Brice as a director. David is standing for election at this AGM and it is to the credit of Wotif that someone with his credentials is prepared to take the time to contribute to the Board. Andrew Brice's contribution to the Board and idea that became Wotif cannot be downplayed. In many ways, without Andrew, there would not be a Wotif. The Board is extremely grateful for his contribution and support.

Enough from me for the moment. Let me now introduce Scott Blume to address shareholders at an AGM for the first time. Scott

MANAGING DIRECTOR'S UPDATE

Thanks Dick,

Let me start by saying that Wotif is a great business, with great people, and I am very proud to be leading this team.

Over the last ten months I have taken the opportunity to learn about the business, and meet the vast majority of our team as well as many of our key suppliers and stakeholders. These meetings and learnings resulted in the 'Strategy Update', which I will touch on later in this presentation.

I'd like to take a few minutes to talk about our results for the year ended 30 June 2013.

As I outlined in the FY13 Annual Report, our overall result was unsatisfactory. Let me re-iterate some key numbers:

- We had record revenue of \$146.6 million, up 0.9% on the prior year.
- NPAT was \$51.0 million, including one-off write-offs, which was down 12% on prior year, with cost growth and cost variances outstripping revenue gains.
- On a year-on-year basis, our NPAT was down by \$7 million, with positive revenue increases in Australia and New Zealand Accommodation (\$4.1 million) and Flights and Other (\$1.6 million) offset by some key year-on-year variances.
- Our revenues from Asia and Rest-of-World (ROW) business continued to deteriorate with a combined year-on-year variance of \$3.3 million. I will talk to these business challenges a little later in this presentation.
- In addition we continued to invest in marketing in a very competitive environment, and year-on-year our marketing costs grew by \$2.3 million.
- We also had unfavourable year-on-year variances totalling \$3.4 million relating to interest, foreign exchange costs and the write-back of options in the previous year. In short: it was an unusual year of somewhat unfavourable variances, which I believe are now behind us.
- Whilst the result was down on the previous year, the decision was made to increase the dividend payment ratio to 95% (FY12: 91%) with a fully franked final dividend of 11.5 cents per share in addition to the previously paid interim dividend of 11.5 cents per share.

Recognising that FY13 was a difficult year, it must also be noted that we did have some considerable successes in a number of key areas.

Let me highlight a few activities worthy of mention:

- We successfully implemented hotel commission increases in Australia and New Zealand to 11%, starting progressively in January 2013. The hotel content team did an outstanding job in making this happen. We are also on track to implement the previously advised commission increase to 12%, starting progressively from January 2014.
- In a period of difficult retail trading conditions in Australia we continued to maintain our hotel sales ratio of selling one-in-ten accommodation nights in

Australia, based on Australian Bureau of Statistics data of March 2013. This is a considerable achievement. We continue to have massive scale in the Australia and New Zealand accommodation market with over 6 million room nights sold during the year.

- Approximately 18 months ago we introduced traveller reviews on Wotif.com, and today we have over 900,000 authentic reviews, including over 750,000 for Australian hotels. This gives us a market-leading position in Australia and provides us with an opportunity to improve conversion and ensure customers keep coming back to our website.
- The performance of our flights business was very pleasing with TTV growth of 17.5%. This was achieved with increased focus on the flights business and by providing the flights team with better tools to cross-sell and communicate with our almost 3 million Australia and New Zealand subscriber base. A great achievement from the flights team.
- We continue to invest in mobile where we have seen exponential growth and customer adoption over the last two years. Mobile now provides 33% of all traffic across the Group. For Wotif.com, mobile devices and apps deliver 36% of traffic and 17% of room nights.
- Our apps including iPhone, iPad and Android have been installed on over 624,000 mobile devices with over 2.8 million downloads.
- Our most recent upgrade to our Wotif iPhone and iPad app has updated visual content with a new option for viewing hotels in 'photo view' which displays larger property photos and users can 'swipe' through the image gallery for each hotel. We have had very favourable customer responses about this upgrade.
- During the past week our Customer Service team has received two awards which acknowledge our exceptional customer service, as presented by the 'International Customer Service Professional' (ICSP) Association of Australia. One of these is a 'people's choice' award, which is especially encouraging as it evidences both our commitment to customers, and their loyalty to us.

So, now let's look to the future.

In June this year we released our forward strategy to the market, which focuses on five key strategic pillars. I will take a few moments to give an update on work already under way on these projects.



1. The first strategic area of focus is 'Monetisation of Traffic from Group Websites'

A substantial asset for the Group is our database of email subscribers. We are able to reach over 3.4 million subscribers across the Group, including almost 3 million in Australia and New Zealand. The strategy review identified a need to improve the interaction with these customers and, to that end, we embarked on a project to select a new email provider and switch over all of the Group's databases to a new, state-of-the-art eDM platform. This was an extensive three-month project which was successfully concluded on time and on budget in early October 2013.

I am also very excited to announce that, this week, we will 'go live' with our new 'dynamic packaging' (DP) technology and content on Wotif.com. This project builds on the success of the Sydney theatre package product, where we had the opportunity to 'beta test' the technology. We now are able to combine, sell and merchandise both domestic and international packages. These packages include flights and hotels and, at times, transfers and other products. We have successfully negotiated very attractive air and land deals with our partners to ensure that our packages will be competitive and compelling for our customers.

2. The second strategic area of focus is around 'Content'

It is very clear to me that we have outstanding, marketing-leading hotel content in Australia and New Zealand. However, in Asia and Rest-of-World we still have work to do. Our focus in Asia has shifted away from building hotel numbers to building quality content, including competitive hotel pricing. For Rest-of-World, the key focus is on improving content in the 'Top 20' destinations where Australia and New Zealand customers travel internationally. Work on improving our Asian content is already under way and I would expect that we would have made tangible progress by the end of the calendar year. This includes our recent arrangement to swap hotel content with Rakuten, which is a good example of where we can improve the quality of our content.

For content in the Rest-of-World, we are close to finalising a new partner to provide improved content and pricing for key global destinations. This upgrade is likely to be live on our sites in the second half of this financial year.

3. Our third strategic pillar is 'Marketing'

We will continue to participate strongly in digital marketing, including search engine marketing, which has historically been a strength for the organisation. In addition, we are testing some new tactical initiatives with key strategic partners in the Australia and New Zealand market, and work is well under way to finalise the overall strategic direction for the three Australian brands (Wotif.com, lastminute.com.au and travel.com.au). Once this strategy is finalised in the next month or so, we will prepare a detailed marketing plan and finalise any incremental marketing costs required.

In Asia, our marketing strategy and plans are complete and will be rolled out progressively from November 2013. We would expect to see the impact of this new marketing in Asia in the second half of the current fiscal year.

4. The fourth strategic pillar is 'Asia'

In addition to the content and marketing projects previously outlined and under way, we are continuing to work on improving our website functionality and non-hotel content strategy, including projects relating to our key non-transactional portal sites.

5. Finally, our fifth pillar is 'Technology'

Work is under way on three key strategic projects using existing, internal resources. These projects will improve our core technology systems and allow us to expedite internal development and the roll-out of new features across our Group of websites in 2014. The decision to focus on core systems, where changes are generally not visible to our consumers, and which potentially slow down the roll-out of new customer features in the short term, is important for our future technology success.

Overall I am very satisfied that the team is making good progress on implementation of work associated with these five key strategic pillars of our business. I am also very confident that this work will contribute to our ongoing success.

Business Outlook

Given the number of key projects under way it is difficult to give any definitive financial guidance at this time. However, we would expect to provide further guidance with the release of the first half results.

Let me talk to a few trends reflecting the current trading environment:

- The overall Australia and New Zealand retail trading environment remains soft.
- We have not seen any accommodation booking uplift post the Federal election.
- Any uplift in consumer confidence is yet to translate to sales.
- Our Rest-of-World accommodation sales have stabilised and are expected to be marginally ahead of first half FY12.
- The Asia business continues to under-perform and any turnaround is unlikely until the second half of the current fiscal year, after the implementation of the Asian marketing plan and Australian outbound initiatives.
- Our flights business continues to outperform and we believe that our unique flight functionality is gaining market share. If current trends continue we would expect our flights TTV to increase by over 30% over the first half of the prior year.

In closing, let me leave you with some personal observations of my first ten months with the Company.

- We have a talented team that is committed to the success of the Group. The team is engaged and energised.
- We have a culture of operational excellence and cost focus.
- We have a great customer base who want to continue to support us. However, we cannot take these customers, or their loyalty, for granted.
- We have healthy relationships with our suppliers, where we provide significant business volumes, and we continue to provide compelling value for our suppliers.
- We have some unique and innovative website features for our customers, including the way we display hotels and flights, which ensure our customers have access to the best information and prices to make informed travel decisions. The launch of our dynamic packaging product adds to these customer choices.

I look forward to working with our team to leverage these strengths to continue the profitable growth of the Wotif Group in the future.

I will now hand back to Dick.