

# ASX ANNOUNCEMENT

**Wotif.com Holdings Limited** ABN 41 093 000 456

Wednesday 26 February 2014

## Presentation Material - Half Year Results

Please find attached presentation material to be used in investor presentations with respect to Wotif.com Holdings Limited's half year results for the 6 month period ended 31 December 2013.

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# HALF-YEAR RESULTS

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# *Speakers*

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- **Scott Blume** – Managing Director and Group CEO
- **Gordon Timm** – Chief Financial Officer
- **David Barnes** – Chief Commercial Officer

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# *Agenda*

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- H1 FY14 Results
- Strategy Update
- H1 FY14 Group Financial Performance
- Unique Business Model
- H2 FY14 Hotel Initiatives
- Mobile

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# H1 FY14 Results

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- Record revenue of \$75.8m, up 3.5% (H1 FY13: \$73.2m)
- Operating profit\* \$36.4m, down 11.1% (H1 FY13: \$41.0m)
- Result driven by investment in technology and marketing
- Net profit after tax \$22.6m, down 17.7% (H1 FY13: \$27.5m)
- 93.5% dividend payout ratio (H1 FY13: 88%)
- 100% fully franked interim dividend per share 10.0c (H1 FY13: 11.5c)
- Flat TTV\*\* of \$592.5m, down 0.4% (H1 FY13: \$594.9m)

\* Profit before depreciation, amortisation and taxation (not being an IFRS measure and unaudited).

\*\* Total Transaction Value (TTV) represents the price at which accommodation and flights and other travel services have been sold across the Group's operations. TTV is stated net of any GST/VAT payable. TTV does not represent revenue in accordance with Australian Accounting Standards.

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# H1 FY14 Results

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- Total revenue of \$75.8m – up 3.5% (H1 FY13: \$73.2m)
- Accommodation revenue:
  - Total Group accommodation up 3.7% to \$66.0m (H1 FY13: \$63.6m) driven by successful implementation of hotel commission increase in January 2013
  - Total Group room nights sold 3.2m (H1 FY13: 3.5m)

<b>Room nights by region</b>	<b>H1 FY14</b>	<b>Variance H1 FY13</b>
ANZ	2.9m	(0.2m)
Asia/ROW	0.3m	(0.1m)

*Above amounts exclude hotels sold as part of Dynamic Packaging, which is growing month on month*

- Continued market-leading hotel numbers in both Australia and New Zealand with over 12,000 properties, up 10% compared to H1 FY13
- Average length of stay 1.82 nights (H1 FY13: 1.85 nights)
- Group room rates up 3%
- Market-leading customer reviews in Australia with over 850,000 Australian reviews and over 1 million reviews for all hotels

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## *H1 FY14 Results*

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- Flights and other revenue up 19.7% to \$8.3m (H1 FY13: \$7.0m)
  - Strategy of selling other products to existing Wotif Group customer base proving successful
  - Strong bias to international air where customer proposition is strong
  - 110,000 flight transactions – up 26.7% (H1 FY13: 87,000)
  - Strong flights growth has enabled successful airfare negotiations for Dynamic Packaging
  - Innovative flights display well received by customers

# Strategy Update

## Initiatives

## Status and key achievements

### Technology

*Improved customer proposition, open up distribution channels and more flexibility for suppliers*

- Tech debt work on plan and budget for completion July 2014
- Enhancements to support access to new channels
- Margin enhancing features (new ranking algorithm)
- Data capture and analysis enhancements
- Considerable improvement in mobile offerings

### Marketing

*Drive incremental traffic, and promote new offerings*

- The increase in marketing spend of \$4.5m includes:
- a ramp-up of SEM and metasearch spend, all based on a positive return on ad spend;
  - investment in online marketing for the flight business on a positive ROAS basis;
  - new spend on Wotif Group-branded key words due to a policy change by Google

### Traffic monetisation

*Leverage existing customer base and leading brand position*

- Dynamic Packaging launched and growing strongly m/m
- H1 FY14 Flights and other TTV increased by 44%
- Third-party revenue growth increased by \$0.6m
- Total traffic to Group websites continues to grow and is up 11% on H1 FY13 figures

### Content / Inventory

*Strengthen inventory, particularly offshore*

- Increased hotel coverage – #1 provider in both Australia and NZ
- Customer reviews passed one million mark for the Wotif Group
- New vendor chosen for ROW content and expected to be live Q4 FY14
- Assessing opportunities to expand hotel offering to new distribution channels and partners
- Packaging launch has given access to wholesale pricing for air and hotel

### Asia

*Improve sales of Asian hotels*

- Strategy finalised and marketing commenced December 2013
- Improved content with addition of 1,100 new directly contracted hotels
- Bali packages launched on Wotif.com February 2014
- Focus on conversion of strong traffic



# H1 FY14 Group Financial Performance

	H1 FY14 Actual (\$m)	H1 FY13 Actual (\$m)	% PCP*
Accommodation revenue	65.999	63.642	4%
Flights and other revenue	8.334	6.963	20%
Interest revenue	1.445	2.628	(45%)
<b>Total revenue</b>	<b>75.778</b>	<b>73.233</b>	<b>3.5%</b>
Other income	0.816	-	100%
<b>Total income</b>	<b>76.594</b>	<b>73.233</b>	<b>5%</b>
Total operating expenses	(40.150)	(32.261)	(25%)
<b>Operating profit**</b>	<b>36.444</b>	<b>40.972</b>	<b>(11%)</b>
Depreciation	(1.866)	(1.784)	(5%)
Amortisation of IT Development Costs	(2.041)	(0.296)	(590%)
Other amortisation	(0.017)	(0.017)	(0%)
<b>Profit before tax</b>	<b>32.520</b>	<b>38.875</b>	<b>(16%)</b>
Income tax	(9.880)	(11.369)	(13%)
<b>NPAT</b>	<b>22.640</b>	<b>27.506</b>	<b>(18%)</b>
Accommodation TTV	501.674	531.947	(6%)
Flights and other TTV	90.874	62.955	44%
<b>Total transaction value</b>	<b>592.548</b>	<b>594.902</b>	<b>0%</b>

\* Percentage is based on full reported numbers (i.e. non-rounded source data).

\*\* Being profit before depreciation, amortisation and taxation (not being an IFRS measure and unaudited).

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# H1 FY14 Group Margins

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Margin	H1 FY14 Actual	H1 FY13 Actual
Accommodation revenue % of accommodation TTV	13.2%	12.0%
Total revenue % of TTV	12.8%	12.3%
Operating profit margin*	47.6%	55.9%

Accommodation margins improved primarily from the hotel commission increase in January 2013 and also the launch of Virtual Credit Cards (VCC) in August 2013.

\* Being profit before depreciation, amortisation and taxation (not being an IFRS measure and unaudited).

# Key Group Financial Variances

Major YoY Variances	\$m
ANZ/ROW accommodation (primarily margin increase)	2.9
Flights and other revenue growth	1.4
Profit on sale of property	0.8
Credit card merchant fee savings	0.5
Marketing cost increase	(4.5)
Depreciation & Amortisation expense increase	(1.8)
Web maintenance cost increase	(1.5)
Interest income decrease	(1.2)
Administration employment expenses increase	(0.8)
Asia accommodation revenue decrease	(0.5)
Share-based payment expenses increase	(0.6)
Hotel business development expenses increase	(0.5)
<b>TOTAL MAJOR YoY VARIANCES</b>	<b>(5.8)</b>

These major variances account for 91% of the decrease in PBT  
(H1 FY14: \$32.5m : H1 FY13: \$38.9m)

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# H1 FY14 Group Capex

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Capex	H1 FY14 Actual	H1 FY13 Actual
IT Development Costs*	\$2.4m	\$3.1m
Property, plant and equipment	\$2.6m	\$0.8m
<b>Total</b>	<b>\$5.0m</b>	<b>\$3.9m</b>

Decrease in IT Development Costs arises from a lower proportion of IT costs being capitalised as key IT project work was in the start-up phase and these costs are directly expensed.

Increase in Property, plant and equipment primarily relates to the Sydney Office fit-out costs.

\* *IT development costs that relate to the acquisition of an asset are capitalised, to the extent that they represent probable future economic benefits, are controlled by the Group and can be reliably measured (referred to as IT Development Costs). The capitalised cost is amortised over the period of expected benefit, generally between 1 and 5 years. IT costs incurred in the management, maintenance and day-to-day enhancement of all IT applications are charged as an expense in the period in which they are incurred.*

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## *H1 FY14 Cash Flow and Movement in Cash Balances*

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- Cash balance of \$114.6m is down \$17.4m (30 June 13: \$132.0m)
- This variance almost entirely relates to an \$18.6m decrease in hotel creditors arising from the implementation of VCC, whereby payment terms to hotels have been improved with implementation of a new efficient payment solution
- The implementation of VCC has led to a “one-time” cash impact, however is overall EBIT-positive taking into account reduced cash, reduced interest income, improved payment efficiencies and commercial arrangements with the VCC provider

# Unique Business Model

## Leading brand position

- Leading, recognised name in domestic travel
- Significant brand equity with 14 years of investment
- 66% brand awareness in Australia
- Continued investment to maintain and extend awareness

## Customer database

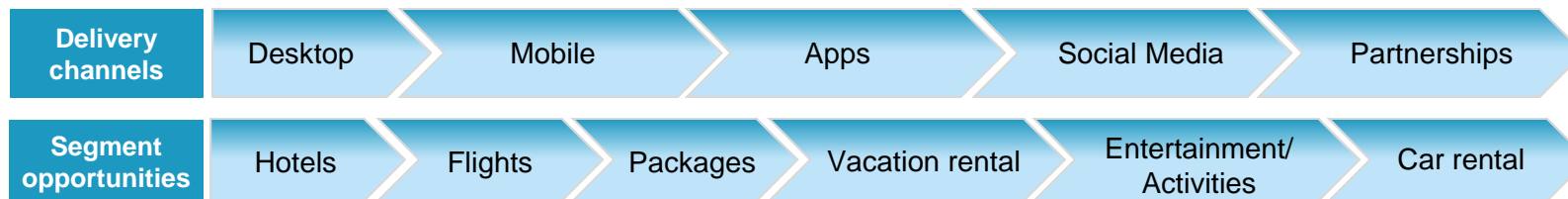
- Customer base of 3.5 million
- Highly loyal client base with significant number of repeat customers
- Approximately 50% of Wotif.com traffic comes direct to website due to strong brand recognition and importance of brand in mobile channels
- Leaders in customer hotel reviews

## Unique local inventory and support

- #1 provider of hotel content in Australia / NZ
- Efficient low-cost distribution model for hotels
- Unique regional and boutique suppliers
- Award-winning customer service team for ANZ hotels
- Increased demand from new channels for hotel asset
- Unique customer offering with Wot/Secret Hotels and matrix display

## Technology platform

Investment to improve the customer proposition, open up distribution channels and deliver flexibility for suppliers



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## *Brand Position*

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- Brand awareness at an all-time high (66%)
- Collectively, Wotif Group's Australian brands – Wotif.com, lastminute.com.au and travel.com.au – are rated #1 for online traffic share versus all competitors
- Over 12.1 million visits a month to Group websites
- New investment in branded key words
- New marketing investment in flights
- Active participation in metasearch
- Increased SEM spend with positive ROAS
- Optimisation of SEO from internal projects will continue in H2 FY14

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## *H2 FY14 Hotel Initiatives*

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New website features and functionality are starting to be progressively rolled out as technology enhancements related to strategy work are being implemented

- New Wotif.com home page includes enhanced search functionality
- New ranking algorithm for hotels to be implemented to recognise popular hotels with good traveller review scores
- Beta test for hotels requesting increased marketing and ranking access
- Potential for additional distribution partners/channels partners to be implemented
- Membership program to be introduced to reward loyal customers



# Wotif.com Home Page



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**Orchard / Bukit ...** **SG\$275**  
 Sheraton Towers ... **4.3** from 15 reviews  
 RedHotDeal-Exec Business, incl FREE internet. Walking distance to Newton MRT station!

**Melbourne, Aust...** **AUS189**  
 Hotel Windsor Me... **4.5** 5777 reviews  
 ★★★★★  
 FREE UPGRADE & WI-FI incl. upgrade to Superior Room & WIFI. Book now!

**Java-West, Indo...** **US\$68**  
 Palace Hotel Cipa...  
 3NT PROMO-Superior Double. Already discounted rate. Incl.Bfast for 2 persons. Located in Puncak.

**Hobart, Australia** **AUS265**  
 RACV/RACV Hob... **4.5** from 82 reviews  
 Apartment B&B Non Member, 1 Bedroom. Don't miss out on free bfast & Wi-Fi! Wow!

**Rome, Italy** **€99**  
 Pretorio Apartment  
 Not rated  
 Apartment for 5 people in Rome city centre, Termini Railway Station.

**Rome, Italy** **€57**  
 Eurostars Internati... **4** from 4 reviews  
 ★★★★★  
 Hot deal in a perfect location in teh city centre.

**Bangkok**  
 ★★★★★ from **81800**

**Sydney**  
 ★★★★★ from **AUS 102**

**Los Angeles**  
 ★★★★★ from **US\$ 209**

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 ★★★★★ from **AUS99**

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 ★★★★★ from **AUS87**

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# *Mobile*

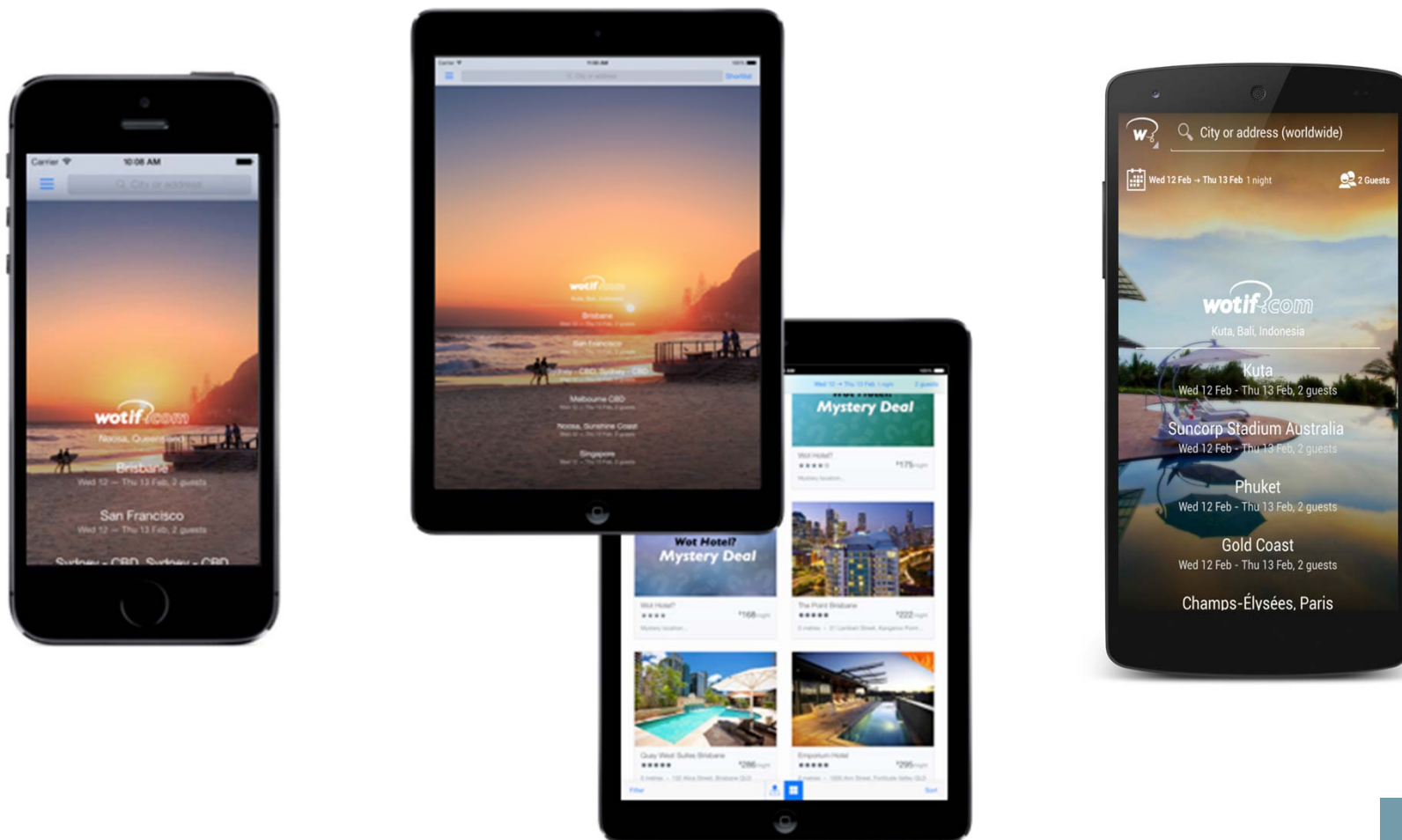
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- **As at 31 Dec 13:** Wotif.com apps, including iPhone, iPad and Android, installed on over 735,000 mobile devices with over 4.6 million downloads
- **Functionality improvements to Wotif.com app in H1 FY14:**
  - Map search
  - Shortlist hotels
  - Enhanced images: inspirational front end, swipe images gallery
  - Share feature (social messaging via Facebook, Twitter, email, SMS)
- **Wotif.com Mobile traffic insights:**
  - 360,000 bookings (H1 FY13: 265,000)
  - Over 20 million visits for H1 FY14 (up 70% on H1 FY13)
  - Slightly lower Average Length of Stay on mobile, but high ARR

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# Wotif.com App on iPhone, iPad and Android

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**QUESTIONS**