



## Co-investment Strategy in Franchisees

21 October 2016

Helloworld Limited (ASX: HLO) today announced that it proposes to pursue a strategy of co-investment in its franchise network in Australia and New Zealand commencing in January, 2017.

Over the next 2 years Helloworld will offer to purchase between 20% and 25% in certain qualifying franchisees' businesses. Each investment will be considered on a case by case basis, be based on fair market value, with the consideration for any investment made to be payable by way of fully paid ordinary shares in Helloworld Limited.

Chief Executive Officer and Managing Director of Helloworld, Andrew Burnes, said Helloworld's intention is to invest in quality retail agency businesses while leaving the management and operational control of our retail agencies in the hands of our dedicated and successful franchisees. This is an important step in the ongoing evolution of Helloworld and is part of Helloworld's strategy to align the interests of Helloworld Limited and our retail agency network.

-ENDS-

### About Helloworld Limited

- Helloworld Limited (ASX: HLO) is a leading Australian based travel distribution company, comprising retail travel businesses, destination management services (inbound) air ticket consolidation, wholesale, corporate and online operations. This includes "helloworld", Australia's largest network of franchised travel agencies together with our Corporate, Associate and Affiliate networks, our wholesale & DMC businesses including Qantas Holidays, Go Holidays in New Zealand, AOT Inbound, ATS Pacific, QBT, Sunlover Holidays and Insider Journeys and our corporate businesses QBT and APX
- "helloworld" is a nationwide network of independently owned and operated retail travel agencies offering Australian and New Zealand travellers outstanding service, and the best value, tailor-made leisure and corporate travel experiences
- HLO has over 1900 staff located in Australia, New Zealand, Fiji, the USA, South East Asia, India and UK/Europe
- Helloworld is the proud major sponsor of Volleyball Australia and the **helloworld Volleyroos** men's and women's national teams
- Helloworld is proud to be the major sponsor of Basketball Australia and the **helloworld Boomers**
- Helloworld is the Official Travel Partner and a Gold Sponsor of Carlton Football Club
- Helloworld is a major sponsor of the National Basketball League (NBL)

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Helloworld Limited

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This presentation has been prepared by Helloworld Limited ("Helloworld") in relation to the proposed co-investment strategy in the Helloworld franchisee network.

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# Co-investment Strategy - Overview

- Helloworld is proposing to invest up to 25% in franchisees' businesses (min. 20%)
- Investment in each franchisee business will be on a case by case basis
- The investment will be settled by exchanging fully paid ordinary shares in HLO for shares in the franchisee's business
- The shares in the franchisee will be valued based on a multiple of normalised Net Profit after Tax
- HLO shares will be valued in accordance with the market value of HLO at the time of each relevant transaction. HLO shares issued to franchisees as consideration will be escrowed for two years from the date of issue
- Normalised Net Profit after Tax will be calculated based on the relevant franchisee's financial statements adjusted for items of personal / non-travel business
- Investment Strategy to be rolled out over the next two calendar years



# Factors to assess value

The following factors pertaining to franchisees will be used to determine the value of each franchisee business and what multiple will be applied:

- Results over the last 3 financial years
- Quality of Client List
- Human Resources – longevity of consultants in the business, remuneration structures
- Sale of Helloworld preferred products
- Property – location and length of leases
- Owners / managers engagement in the business
- The part of the HLO network that the business is/will be part of
- Future strategic plans and forecasts



# Operations post investment

Helloworld will invest in quality franchisee businesses and will leave the franchisees to run their business as is currently the case. A standard shareholders agreement will be entered into with the relevant franchisee covering the following:

- Minimum 60% dividend distribution annually by the franchisee business
- Future sale of remaining 75% of the franchisee business to a third party, subject to unanimous shareholder approval (such approval not unreasonably withheld)
- Franchisee business to provide monthly P&L, balance sheet and cash flow
- Franchisee business required to be on HLO BI system
- Franchisee business cannot be a member of a competing buying group
- HLO will not take any board or management position within the franchisee business



Thank you