

Flight Centre Limited

Macquarie Australia Conference

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Presentation by
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FLT: An overview



COMPANY HISTORY

Established in early 80s as Australia's first airfare discounter

Listed in 1995 at an issue price of 95cents

Current market cap about \$2.1billion

GEOGRAPHIC DIVERSITY



More than 2300 company-owned businesses in 11 countries

Almost half are located outside Australia

FCm corporate network extends to additional 70 countries (licensing arrangements)

BRAND STRENGTH



36 brands – retail, corporate and wholesale travel, travel-related and other

Flight Centre recognised as Australia's 14th most valuable brand (Source: Interbrand)

PEOPLE



Staff numbers growing about 10% each year

About 80% are in sales roles

Incentivised workforce at all levels

GROWTH RECORD



Profit has exceeded prior year 14 times in 16 years as a public company

Targeted 11/12 result will be another record and represents 10-18% growth on 10/11



A: The Aussie Dollar v The US Dollar

- Historic correlation between FLT's share price and the USD
- No correlation between results and a high AUD
- Avg annual AUD-USD exchange rate has fluctuated between 52c and \$1.04 since listing
- Profit has generally grown throughout this period, despite FX fluctuations
- Strong dollar typically a secondary benefit for travellers
- Cheap airfares and consumer confidence remain primary drivers
- USD is irrelevant to overwhelming majority of outbound travellers



B: Balance Sheet

- One of FLT's strengths solid cash reserves and moderate debt
- \$800million cash and investments at 1H- likely increase during seasonally stronger 2H
- Positive net debt position \$317million in general cash and about \$170million in debt at
 31 Dec
- About \$75million of this debt relates to Business Ownership Scheme (BOS)
- FLT required to maintain healthy cash reserves to meet licensing requirements
- Conservative capital management allows FLT to capitalise on opportunities



C: Corporate, Retail and Wholesale Travel

- FLT is best known for its network of red and white FC-branded leisure travel shops
- Now one of the world's largest corporate travel managers corporate generates 30-35% of TTV
- Corporate brands include FCm (TMS market), Corporate Traveller (SME), Ci Events,
 Stage & Screen and Campus Travel
- Leisure and corporate results have both improved this year corporate profit growth stronger so far
- FLT's wholesale businesses predominantly sell to FLT's shops
- GoGo (USA) is the exception an external wholesaler



D: Dubai and Asia

- Developed or acquired businesses in India, Dubai, Singapore, China and Hong Kong
- Initial aim was to have a strong company-owned presence for corporate clients service offering
- All businesses profitable last year
- Dubai performing well and growing strongly from small base
- India still profitable but some challenges to address
- Leisure travel operations now launched in all countries
- Leisure shops open in Singapore, Hong Kong and India (Flight Shops brand), web-based businesses in China and Dubai



E: Expansion

- FLT typically targets 8-10% annual growth in sales staff globally
- Growth targets in place in all countries, but some variation in targeted rates between established and emerging brands
- In USA, relatively slow growth in Liberty, but corporate business growing strongly
- FLT predominantly grows organically
- From time to time, will consider strategic acquisition opportunities
- Will tend to be small bolt-on businesses, rather than large acquisitions



F: Flight Centre Global Product

- FCGP is FLT's global wholesale and corporate product procurement division
- Currently delivers about 20,000 products to FLT's wholesale, retail and online brands
- Plus 17,000 hotels and car hire contracts to the FCm global network
- Key contributor to group profit and margin
- Opportunity to increase internal marketshare in Northern Hemisphere in particular



H: Hyperstores

- Concept developed in UK
- Can house up to 50 consultants (8 teams)
- Delivers cost-effective access to prime retail sites costs divided across multiple teams
- FC teams in prime walk-in locations, corporate and "direct" teams in other spaces
- Opportunity to introduce hyperstore model in some other locations Manhattan
- Some opportunities in Australia site leased and due to open in Perth

FLT's Manchester Hyperstore







I: Interest

- A key part of the FLT business model
- FLT generates strong interest revenue on its cash reserves managed conservatively by in-house Treasury team
- \$23million in interest income generated in 1H 2011/12
- \$16million paid out in interest expenses during 1H \$13million related to BOS, \$3million related to bank debt



J: Joint Ventures

- Most FLT businesses are wholly-owned
- Handful of franchisees in Escape Travel brand in Australia
- Company involved in some joint ventures including:
 Bikes Advance Traders Australia (wholesale) and 99 Bikes (retail)
 Recruitment marketing Employment Office
 Adventure Travel Intrepid My Adventure Store (IMAS)
- 11 My Adventure Stores now in Australia, stores also open in Canada, NZ and UK



K: Kiwi, Canada and South Africa Businesses

- All solid contributors to group profit
- New Zealand business historically a strong performer for FLT, but some challenges in recent years – economy, natural disasters
- Rugby World Cup also a factor during first half
- Strong corporate travel business in Canada
- South African business performing solidly volatile currency affects translation to AUD



L: Liberty and the USA

- FLT launched US business in 1999
- Acquired Liberty and GoGo in Feb 2008 to gain larger footprint and to access to directly contracted North American product (a key acquisition rationale)
- Losses incurred as business was restructured shops closures, system changes
- Inaugural US (EBIT) profit in 2010/11 and targeting growth during 2011/12
- Corporate travel business performing strongly and opportunity to increase marketshare
- Leisure results improving year-on-year, ahead of key May-June booking period
- Medium term target is to generate 1% PBT margin in overall US business
- Aim in leisure travel is to provide meaningful alternative to the online players



M: Margins

- Income margin has historically varied between 12.5% and low 14%
- Towards top of this range in recent years
- Internal expectation is for overall margin in order of 13.5-13.8%
- Earnings vary from product to product margin can be influenced by product mix
- Corporate travel (TMS market sector) typically lower income margin than leisure travel
- Corporate and leisure travel net margins are similar



N: The Net

- A growth opportunity, but at the same time FLT's biggest competitor
- Globally, greatest penetration has been commoditised product last minute hotel and simple point-to-point airfares (domestic)
- Relatively low penetration in international travel complex requirements and inability to deliver all travel options online
- Some international will inevitably migrate online but overall penetration in Australia unlikely to reach US levels – different travel requirements and habits
- FLT now providing a more complete range of international airfares on websites to meet expectations of customers who like to transact online or outside normal trading hours

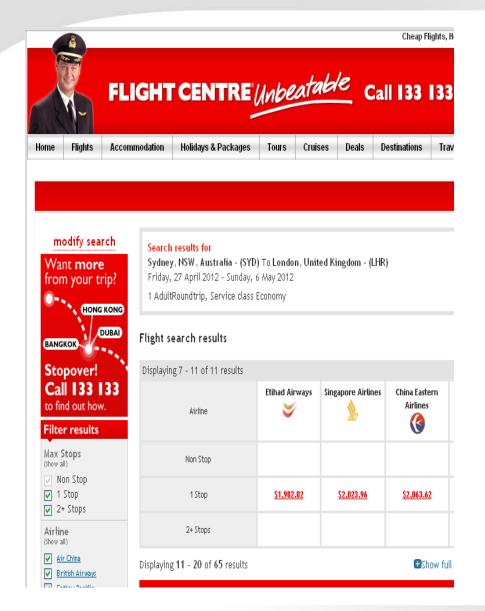


O: On and Offline Interplay

- FLT's online sales are increasing, as are offline sales
- Unique opportunity to offer customers a blended on and offline travel solution
- Able to replicate online booking facilities OTAs offer and couple this with FLT's human search engines – more than 11,000 travel experts globally in more than 2300 shops
- Ability to offer web customers proactive human backup a key point of difference for FLT
 valuable tool, particularly when something goes wrong
- Strategy currently being fine-tuned within each brand and country

FLT's on and offline interplay









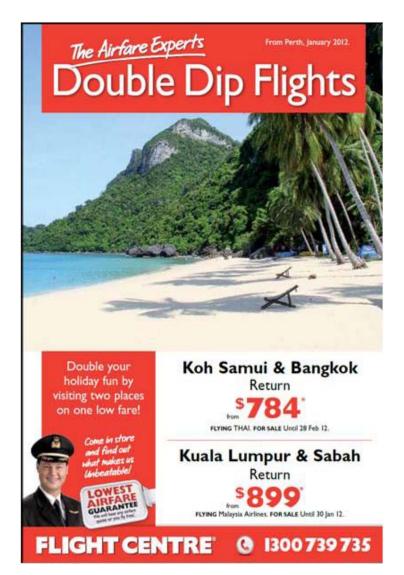
P: Product Innovation

- Focus on developing/manufacturing unique product for customers
- myTime VIP bonuses at participating properties and resorts
- Double Dip Flights
- Black Market Flights
- Mystery Escapes
- Constructed round-the-world fares

Double dip flights – 2 for 1









R: Rent, Wages and Other Costs

- FLT's major expense items are wages, rent and marketing
- Wage bill is variable and flexes with revenue reflects FLT's incentive system
- Advertising bill tends to increase aim to deliver desired level of enquiry to consultants
- Rent costs tend to increase as the company's footprint increases
- Some success in negotiating reductions generally confined to smaller landlords



S: Saturation in Australia

- Growth opportunities in all brands in Australia
- Flight Centre leisure brand will grow at a slower rate than some others
- Cruiseabout, Travel Money Oz and other brands can grow more rapidly
- Flight Centre shops as busy as they have ever been in terms of enquiry
- Priority to enhance consultant productivity to deliver a better and faster service to customers
- Corporate an obvious growth opportunity FLT already largest player in Australia but marketshare lags leisure travel share



T: travelthere.com

- Acquired almost 10 years ago now a testing ground for FLT's online initiatives
- International airfare booking engine that is now on flightcentre.com.au was tested on travelthere.com
- New hotel booking engine on flightcentre.com.au was also introduced via travelthere
- Hotel system draws from a number of inventory providers to find the best deal
- Provides consultants and customers with access to more than 100,000 hotels globally



U: The UK

- Business performing strongly in challenging market conditions
- On track for best full year result
- Experienced and innovative management team in place
- Focus on corporate travel and niche leisure areas paying dividends
- Hyperstore model giving FLT cost effective access to prime retail sites



V: Virgin, Qantas and Supplier Relations

- Good relationships with air and land suppliers aim to be the retailer that suppliers choose to work with
- Contract terms are negotiated annually
- Similar contract structures in place to recent years greater emphasis now on guaranteed margin (commission and over-ride)
- Less emphasis now placed on volume-related super over-rides



W: Wage Model

- Highly incentivised workforce
- Pay includes a retainer (guaranteed) and incentive (subject to performance)
- Staff rewarded with higher earnings when shareholders rewarded with higher returns
- Sales consultants are initially incentivised to achieve cost of seat
- Incentive earnings increase after cost of seat is reached
- Opportunities for team leaders to invest in their businesses (BOS)
- In sales roles, earnings are uncapped



X: The X Team

- FLT is managed globally by its Brisbane-based executive team (X Team)
- Team includes:
 - Managing director Graham "Skroo" Turner
 - Chief operating officer Melanie Waters-Ryan
 - Peopleworks leader Michael Murphy
 - Marketing executive general manager Colin Bowman
 - Global corporate leader Rob Flint; and
 - Andrew Flannery, CFO
- Three members of this team started as Flight Centre travel agents
- Each country is managed by a locally-based executive general manager



Y: Yields

- International airfares remain highly affordable
- On some routes, advertised fares remain below GFC levels includes Bangkok, Auckland, Paris and Rome
- New entrants growing capacity and offering attractive fares
- Pricing trend varies from route to route
- Compared to 12 months ago, FC is advertising cheaper fares to Bangkok, Singapore, Auckland and others
- Advertised fares to Fiji, LA and Rome are slightly more expensive than last year



Z: Z Class

- A category of business class travel for some airlines
- Discounting that has been commonplace in economy in recent years has also reached the business class cabins
- Positive for corporate and leisure travellers
- Flight Centre currently offering return business class fares from Melbourne to Europe (Amsterdam) for less than \$3500
- Return business class fares to London available for around \$5000 from Brisbane,
 Sydney, Melbourne and Perth



G: Guidance

- Currently targeting a PBT between \$270million and \$290million (excluding any major abnormal items)
- Guidance was upgraded in February, following strong start to the year
- New targeted range represents 10-18% growth on underlying \$245.2million PBT achieved last year
- FLT comfortable with current upgraded guidance



Q: Questions

More information?