Citigroup

Presentation

The Australian dollar (AUD)

&

Flight Centre Limited (FLT)

Andrew Flannery (CFO)

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Presentation outline

An overview

- Strong AUD has enhanced Aussie spending power in some countries
- Generally positive for outbound travel and has helped FLT's Australian business in recent years

However ...

- FLT believes the AUD's influence over domestic v international travel patterns is overestimated, with travellers more likely to respond to FX fluctuations by adjusting "at destination" spending
- FLT also believes the dollar's influence on FLT's Australian leisure travel results is overestimated
- These beliefs are based on four broad misconceptions ...

Departure figures that are included in this presentation are largely obtained from the Australian Bureau of Statistics (ABS) and are publicly available. ABS data is noted as such

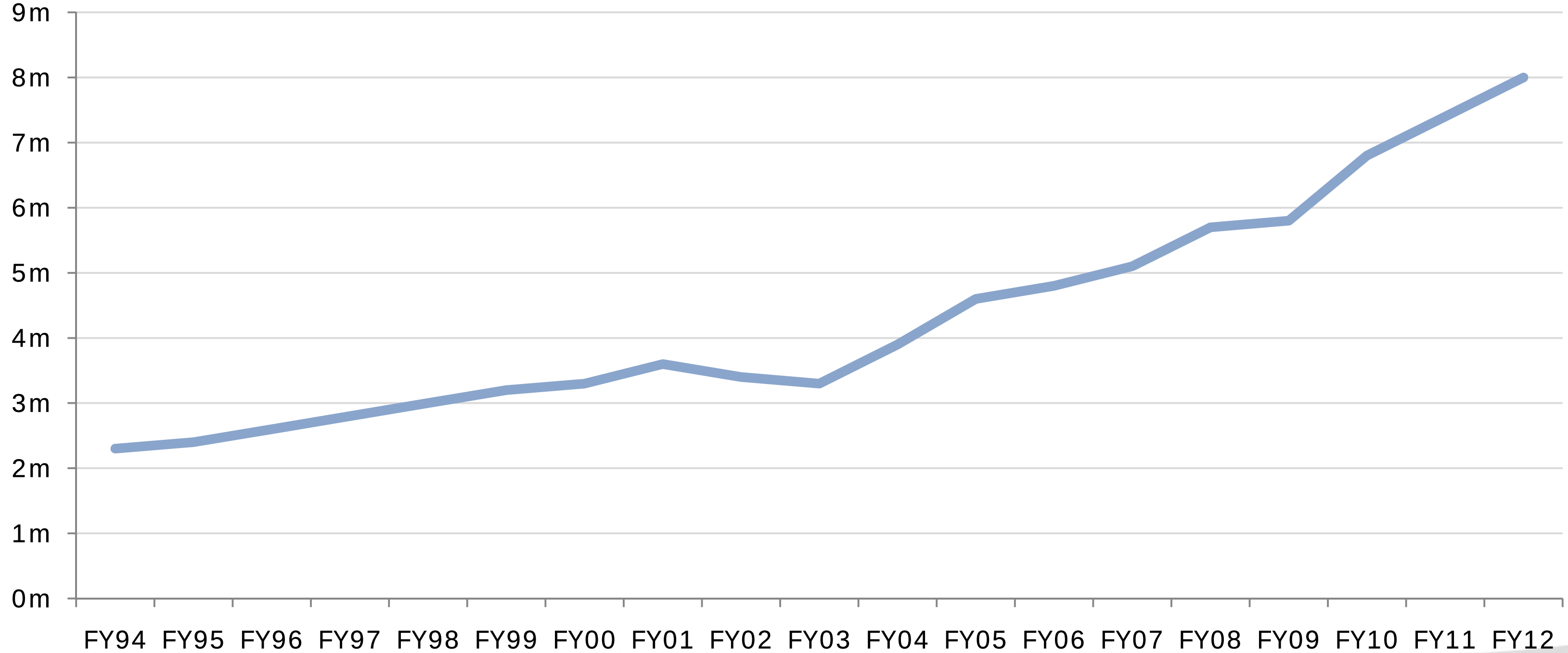
Common misconceptions

- ✖ The strong AUD has been the catalyst for growth in overseas (outbound) travel
- ✖ Because of the strong exchange rate, travel to the USA has reached an all-time high
- ✖ When the dollar falls, Australians switch to domestic travel
- ✖ These factors will inevitably affect FLT’s future earnings

Our enduring love affair with overseas travel

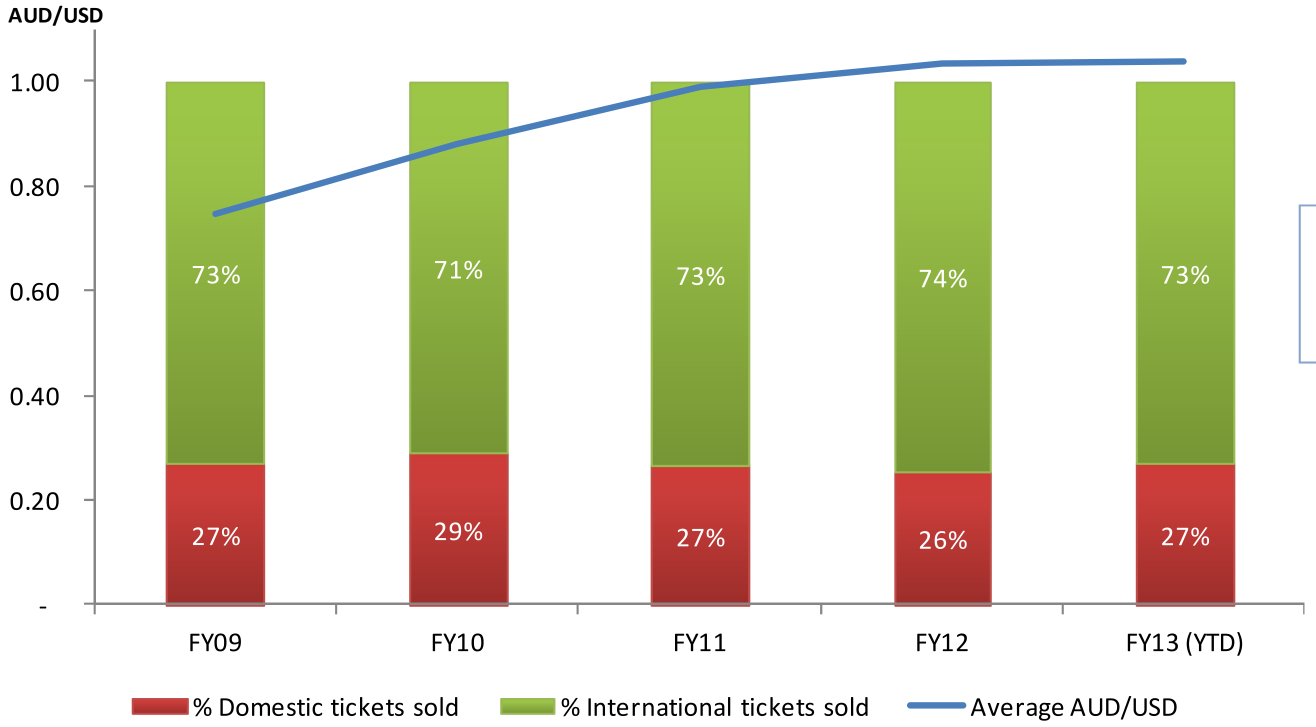
- Consistent growth in overseas travel over 20+ years suggests Aussie outbound is structurally driven, not FX driven
- 6.8% CAGR in Australian short-term resident departures between FY94 and FY12
- Short-term resident departures have increased 18 times during past 20 years
- Declines in FY02 and FY03 were not caused by FX – 9/11, SARS

Australian Short-Term Resident Departures (Source: ABS)



FLT sales mix unaffected by strong AUD

- FLT Ticket Centre data also highlights lack of correlation between strong AUD and international v domestic sales mix
- AUD strengthened significantly against the USD and some other currencies between FY09 and FY12, but no impact on FLT's domestic v international mix
- Similar percentage of domestic leisure tickets issued throughout 4-year period



Sales mix remained steady despite the strengthening AUD

USA tourism: Recovering, not setting records

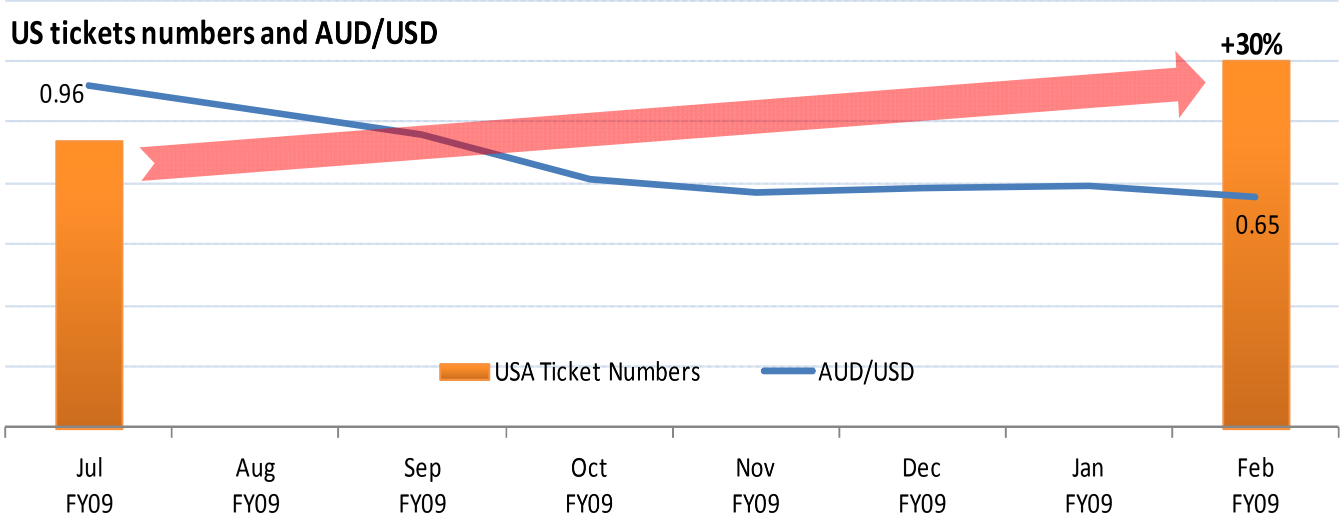
- US represents about 10% of the Australian outbound market (Source: ABS)
- Market-share similar to FY01 (10.4% in FY01 v 10.2% in FY12) and below late 90s
- Major FX shifts during this period have not materially altered US share – AUD bottomed at $USD0.48 during FY01 and peaked at $USD1.10 during FY12
- Average exchange rate since float is circa $USD0.75 – well below current levels
- Greatest impact on US travel during this period was 9/11 (FY02) – not parity
- Gradual recovery in years after 9/11 gained momentum in FY09 and FY10 when cheaper fares became available (competition driven)

Price driving US demand

- FLT's US ticketing data suggests that pricing is a more important driver than FX
- Typically, USA represents 10-15% of FLT's Australian tickets each month
- Some spikes in demand – generally February and August each year
- Spikes are price-driven and correspond with February's Travel Expos and August USA and Canada travel shows
- Price wars during past four years also led to spikes

FY09: Cheap fares fuel recovery pre-parity

- FY09 example highlights role cheap fares play in stimulating demand
- AUD fell from $USD0.96 to $USD0.65 between July 08 and February 09 but FLT's US ticket numbers increased more than 30% during the same period
- Major stimulus was cheap airfares – return fares to LA fell below $1000
- Sales spiked in Jan/Feb 09 (Virgin's Australia-LA launch) and July 09 (Delta's Australia-LA launch)
- Dollar reached parity in Oct 10 – corresponded with slight decrease in US ticket %



Strong US ticket growth despite falling AUD

Outbound travel: Who's winning?

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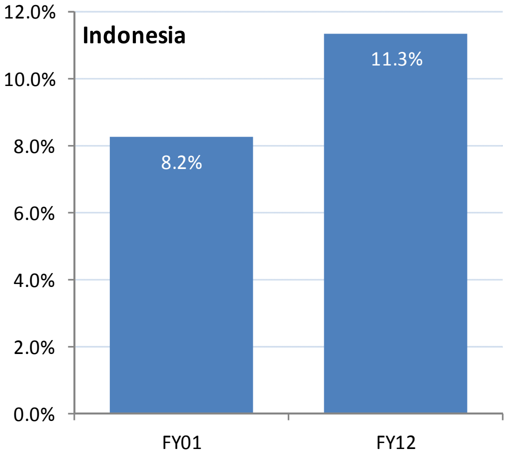
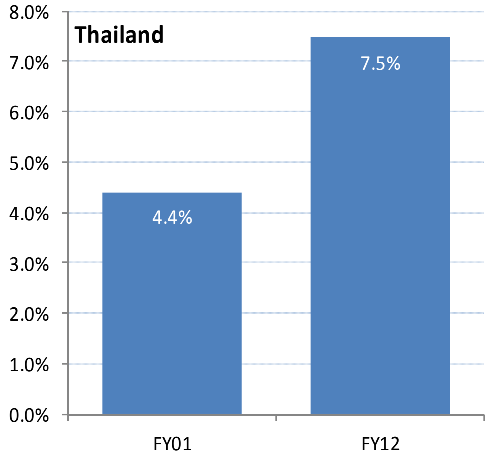
- Other countries are gaining market-share more rapidly than the USA
- Fastest growing international markets for Aussie travellers between FY01 and FY12 included Indonesia (Bali), Fiji, Thailand and China (Source: ABS)
- USA actually lost share (10.4% FY01 v 10.2% in FY12), despite the soaring AUD
- UK and NZ also lost share
- UK share fell from 9% to 6.1% as dollar appreciated from GBP0.37 to GBP0.65
- Since US recovery recovered in late FY09, share has increased from 9.4% to 10.2%
- Indonesia (Bali) (9.6% to 11.3%) and Thailand (6.4% to 7.5%) grew significantly faster over the same period

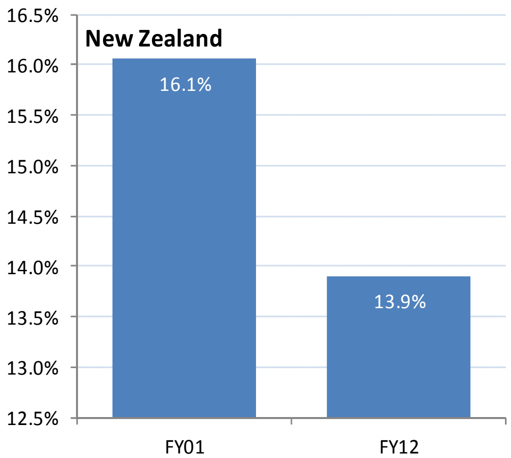
Growth in other outbound markets

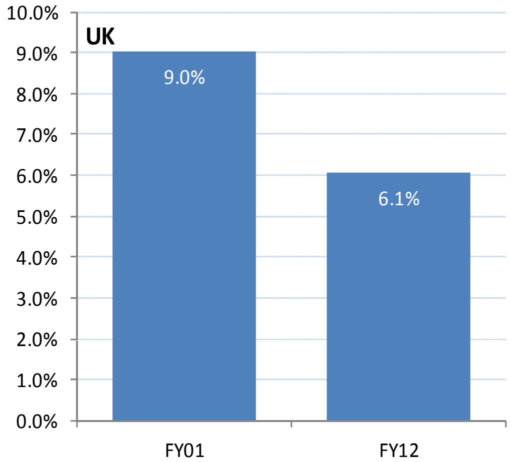
Gaining share …



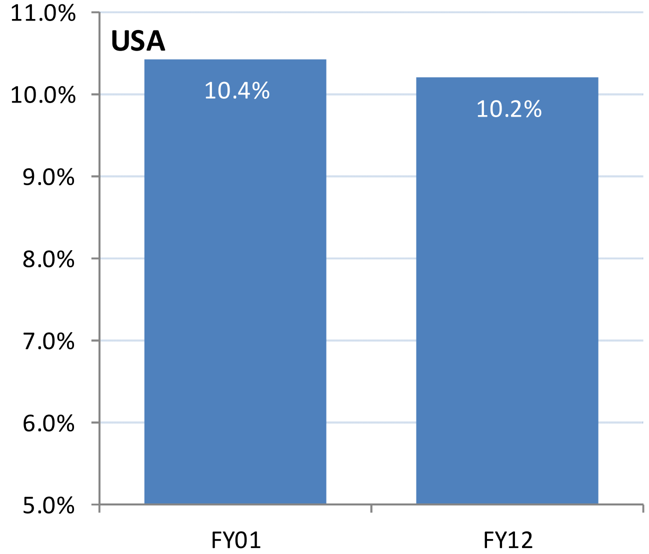


Losing share …



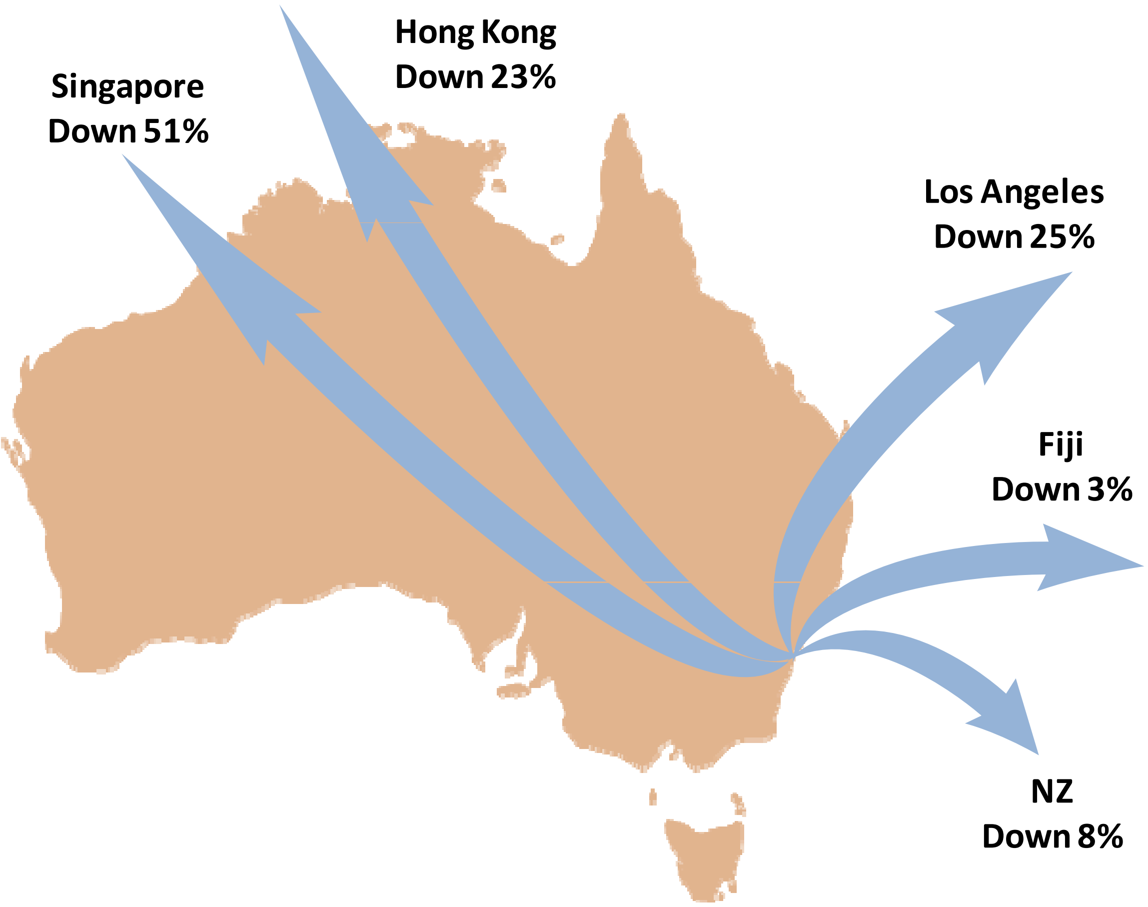


Steady as she goes for the USA…



A key outbound driver: Plunging airfare prices

ROUTE	DEC 2007	DEC 2012	SAVING (%)
Sydney-Auckland	$359	$330	Down 8%
Sydney-Bali	$999	$642	Down 36%
Sydney-Bangkok	$955	$664	Down 30%
Sydney-Fiji	$565	$550	Down 3%
Sydney-Hong Kong	$1039	$797	Down 23%
Sydney-London	$1595	$1413	Down 11%
Sydney-LA	$1539	$1160	Down 25%
Sydney-New York	$1765	$1421	Down 19%
Sydney-Phuket	$1079	$794	Down 26%
Sydney-Singapore	$1069	$519	Down 51%



Prices are based on the cheapest return fares advertised by Flight Centre on a given day

Importance of domestic tourism to FLT

- While FLT does not expect current FX fluctuations to lead to fundamental travel pattern shifts, FLT remains strongly committed to stimulating domestic tourism
- Australian business sends more travellers on holidays at home than it does to any other individual country
- Opportunity to grow domestic sales and revenue
- Structural challenges – unrelated to the dollar – to be overcome to stimulate domestic growth
- Keen competition from overseas neighbours
- More value for holiday dollar off-shore – significantly lower labour costs overseas, better investment in infrastructure (hotels, attractions etc)
- International airfares and packages remain highly affordable – major deflation over past 5 years

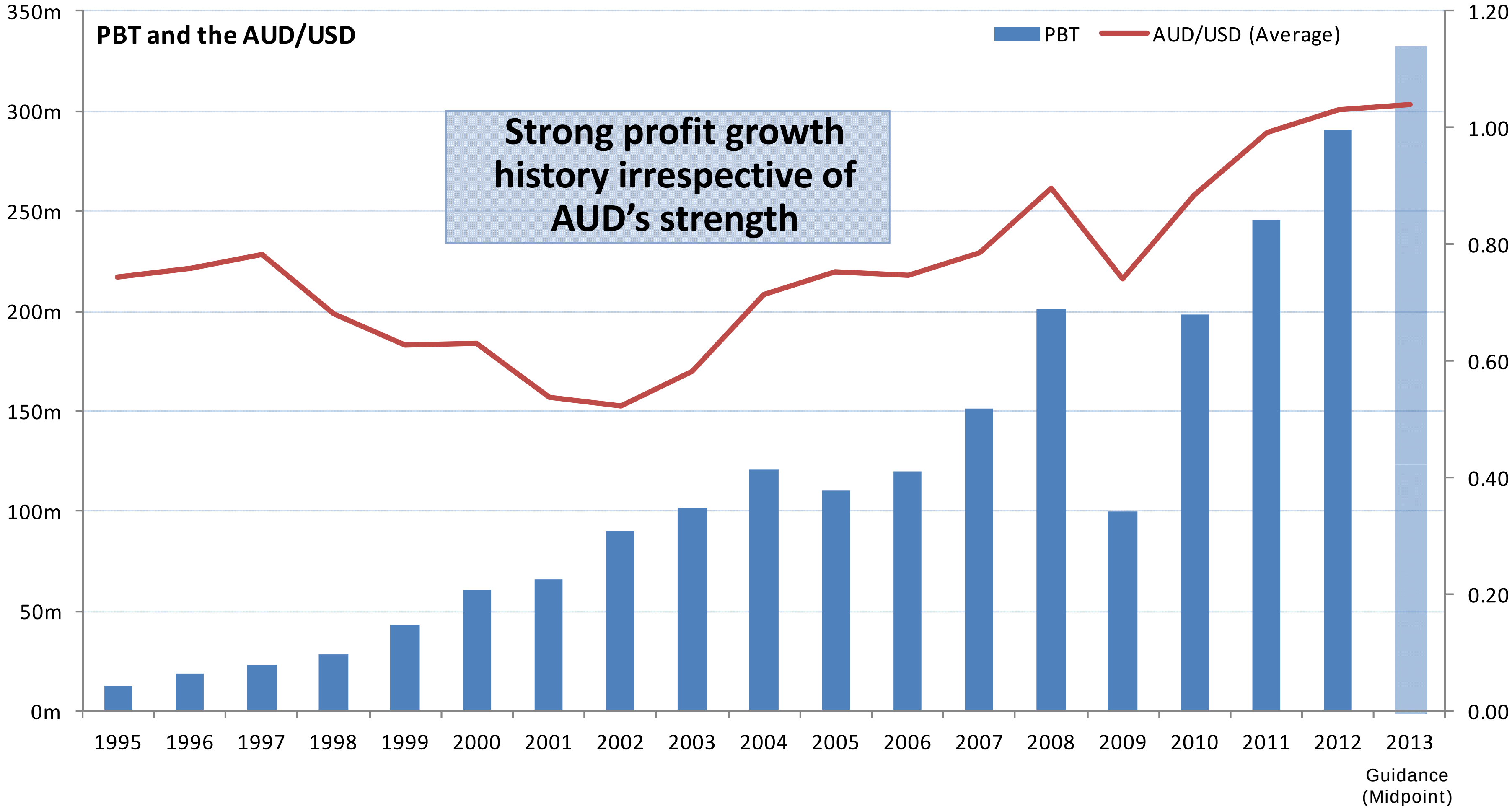
A lower AUD: Some potential benefits

- Lower Australian interest rates can stimulate leisure travel demand
- FLT's leisure results strengthened during 2H13 following prior interest rate reductions
- Strong AUD adversely affects FLT's overseas profit translation
- Expected US and UK profits this year will translate to circa $AUD40m
- Five years ago, same results would have translated to $AUD55m
- Large parts of the Australian business – including corporate – are unaffected by FX shifts
- No change to FLT's upgraded guidance for FY13 – expected underlying PBT between $325m and $340m

End of presentation

- Questions?

Appendix 1: FLT's profit and the AUD



Appendix 2: Parity and US travel patterns