

2013 Full Year Results

Presentation
27 August, 2013

Presentation outline



- | | |
|--|---------------------------------|
| <input type="checkbox"/> Introduction | Haydn Long (Investor relations) |
| <input type="checkbox"/> 2012/13 In Review | Andrew Flannery (CFO) |
| <input type="checkbox"/> Travel Agent to Travel Retailer | Melanie Waters-Ryan (COO) |
| <input type="checkbox"/> Outlook – 2013/14 | Graham Turner (CEO) |
| <input type="checkbox"/> Questions | |

Introduction



- ❑ **FLT's growth record extended during 2012/13**
- ❑ **Record financial results achieved – PBT has exceeded prior year 16 times in 18 years since listing**
- ❑ **Strong shareholder returns – 5th best performing ASX Top 200 stock during 2012/13 (based on market cap growth)**
- ❑ **Ongoing business expansion and investment in key projects**
- ❑ **Focused on the future and targeting further growth in 2013/14**

2012/13: Result snapshot



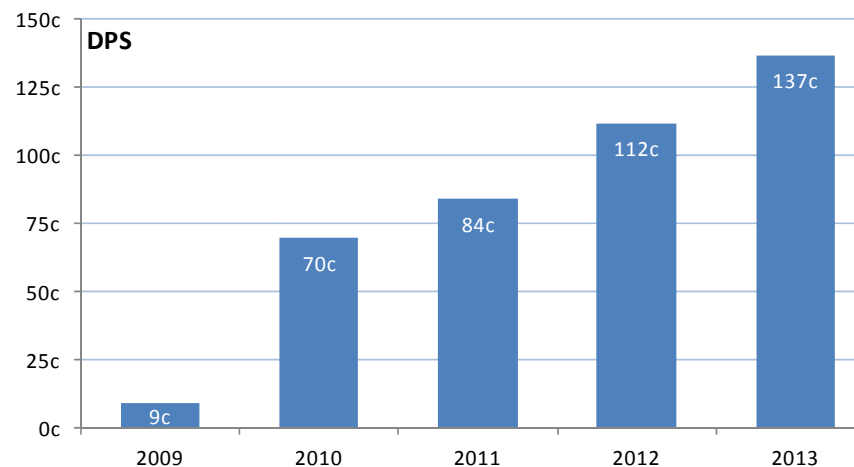
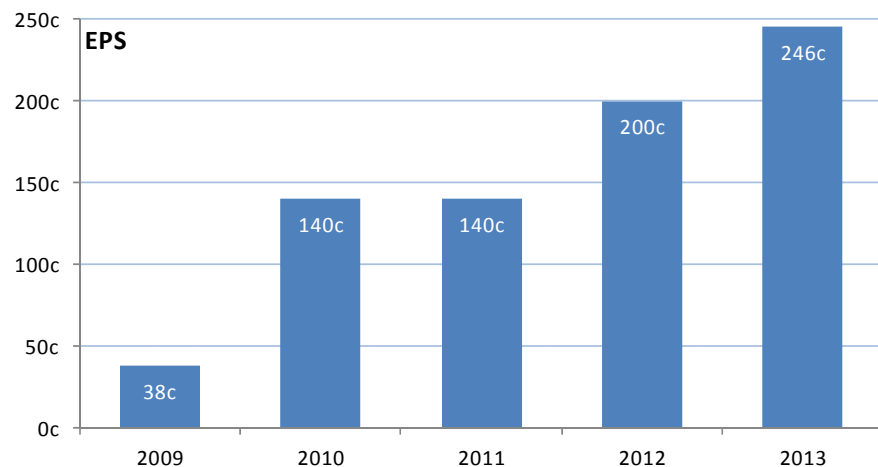
- ❑ 7.7% TTV growth to \$14.3b – sales growth exceeded network growth rate
- ❑ 18.2% underlying PBT growth to \$343.1m (actual PBT up 20.3% to \$349.2m)
- ❑ 20% underlying NPAT growth to \$240m (actual NPAT up 23% to \$246.1m)
- ❑ Investment in expansion, L&D and key projects, including blended travel and travel agent to travel retailer evolution, to drive future earnings

2012/13: Solid cash performance



- ❑ **\$1.26b global cash and investment portfolio at June 30, 2013**
- ❑ **Includes \$433.8m in general funds (company cash) – up from \$400.8m at June 12 and \$160.9m at June 09**
- ❑ **Debt lowered to \$46.2m after \$USD60m loan repaid (Liberty acquisition)**
- ❑ **Strong positive net debt position of \$387.6m**
- ❑ **\$370m operating cash inflow (FY12: \$341m) – rapid accumulation during 2H13 for payment to suppliers during 1H14 (normal seasonal pattern)**
- ❑ **FY13 dividends of \$1.37 per share – more than \$400m returned to shareholders via dividends alone during past four years**

2012/13: Improved shareholder returns



- ❑ Record EPS of \$2.46, up 23%
- ❑ Record DPS of \$1.37, up 22.3%
- ❑ Share price at record levels – FLT included in Top 100 and MSCI

2012/13: Result summary



RESULTS IN BRIEF

JUNE 2013

JUNE 2012

Variance %

\$' million

TTV	\$14.3b	\$13.2b	7.7%
Gross Profit	\$1,986m	\$1,827m	8.7%
Income margin	13.9%	13.8%	10bps
Net margin (underlying)	2.4%	2.2%	20bps
Profit Before Tax (actual)	\$349.2m	\$290.4m	20.3%
Abnormal items*	\$6.1m	-	-
Profit Before Tax (underlying)	\$343.1m	\$290.4m	18.2%
Net Profit After Tax (actual)	\$246.1m	\$200.1m	23.0%
Net Profit After Tax (underlying)	\$240.0m	\$200.1m	20.0%
Effective tax rate	29.5%	31.1%	
Dividends			
Interim Dividend	46.0c	41.0c	12.2%
Final Dividend	91.0c	71.0c	28.2%

* 2013 abnormal item: \$6.1 in non-cash gains relating to FLT's head office properties

2012/13: Five-year growth trajectory



	JUNE 2013	JUNE 2012	JUNE 2011	JUNE 2010	JUNE 2009
TTV	\$14,259m	\$13,238m	\$12,200m	\$10,894m	\$11,242m
Income margin	13.9%	13.8%	13.8%	14.3%	13.6%
EBITDA	\$395.2m	\$330.7m	\$256.9m	\$257.3m	\$86.3m
PBT	\$349.2m	\$290.4m	\$213.1m	\$198.5m	\$40.4m
NPAT	\$246.1m	\$200.1m	\$139.8m	\$139.9m	\$38.2m
EPS	245.6c	200.1c	140.0c	140.3c	38.3c
DPS	137.0c	112.0c	84.0c	70.0c	9.0c
ROE	24.0%	23.3%	18.9%	19.7%	6.2%
Cap-ex	\$51.4m	\$55.5m	\$47.1m	\$20.5m	\$70.4m
Building acquisitions	-	\$0.1m	\$0.6m	-	\$10.4m
Selling staff	12,701	12,130	11,460	10,267 [^]	9,469
General cash	\$433.8m	\$400.8m	\$376.8m	\$322.3m	\$160.9m
Client cash	\$793.2m	\$631.7m	\$513.6m*	\$504.4m*	\$531.8m
Cash and cash equivalents	\$1,227.0m	\$1,032.5m	\$890.4m	\$826.7m	\$692.7m
AFS investments & other financial assets	\$36.8m	\$59.9m	\$64.9m	\$96.2m	\$93.4m
Cash and investments	\$1,263.8m	\$1,092.4m	\$955.3m	\$922.9m	\$786.1m

* Client cash has been restated to reflect equal and offsetting overstatement of client cash and creditors. No real cash impact, no impact at a net current asset or net asset level and no income statement impact

[^] June 2010 selling staff numbers restated to include India

2012/13: Result drivers



Business growth

- ❑ 5% sales network expansion – 27% growth in corporate and leisure BDMs
- ❑ 2500th shop opened in July 13, 500th corporate business to open in FY14 (Corporate Traveller's 21st year)

Margin improvement

- ❑ Slight increase in income margin – 13.9%
- ❑ 2.4% underlying net margin achieved – best result since 2002
- ❑ Ongoing cost control focus – lower average rent per shop, lower sales and marketing spend (but likely to return to normal growth pattern during FY14)

New initiatives enhancing productivity

- ❑ Universal Desktop, Flight Express, “Big Easy” projects, Blended Travel

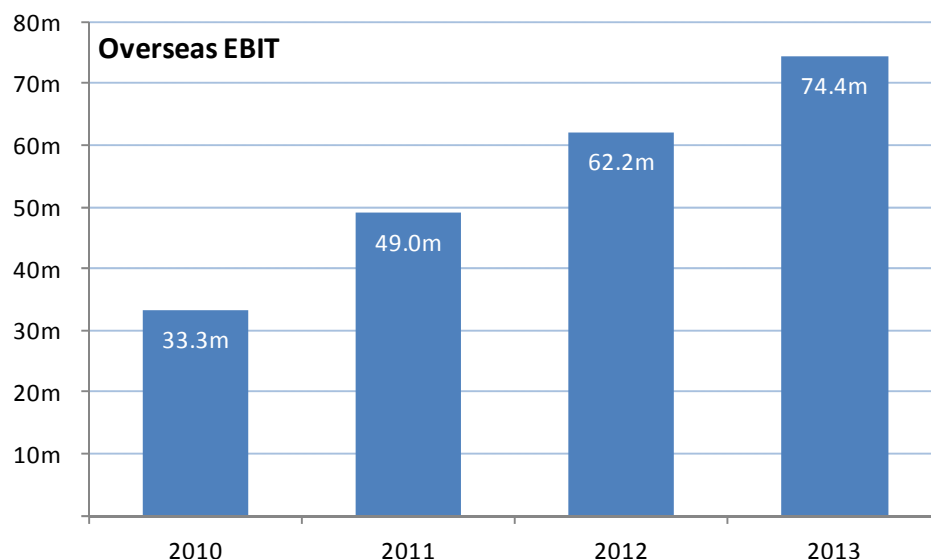
Diversity

- ❑ All 10 countries profitable for third consecutive year – record EBIT in five

2012/13: Diversified earnings



- ❑ Sales growth in all 10 countries in local currency
- ❑ Record EBIT in Australia, UK, USA, Greater China and Singapore
- ❑ Combined overseas EBIT up 20% to circa \$75million
- ❑ Mixing business with leisure – sales growing in both sectors
- ❑ Global corporate brands generated 31% of group turnover (2009: 23%). Does not include corporate business that is transacted in FLT's leisure shops



**Overseas EBIT
has grown at a
CAGR of 31%
since 2010**

2012/13: Segment result – Australia

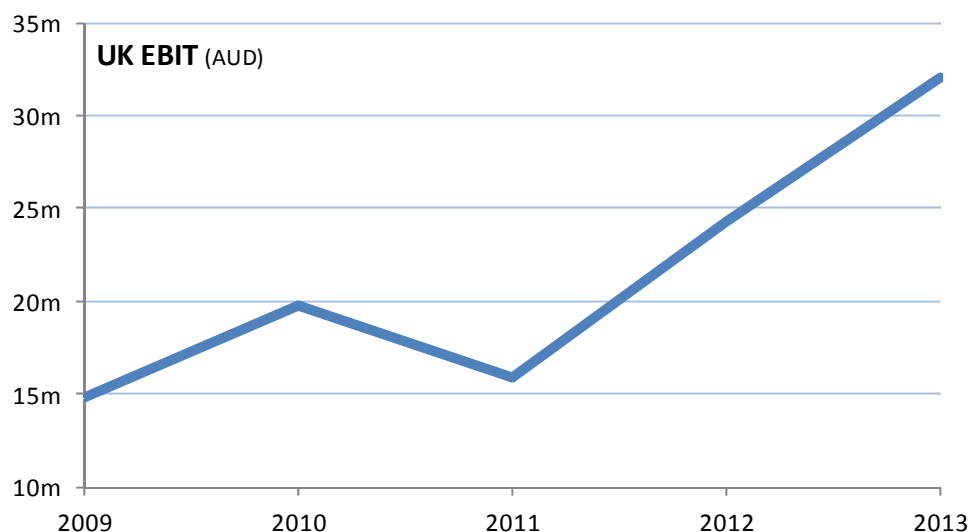


- ❑ Record EBIT – surpassed quarter of a billion dollars for first time
- ❑ TTV up 9% and aiming for higher growth in future
- ❑ Good leisure results, particularly during 2H
- ❑ EBIT from niche leisure brands almost doubled during 2012/13
- ❑ Corporate travel brands turned over more than \$2b
- ❑ Strategies initiated to fast-track corporate TTV growth – larger BDM network
- ❑ Sales growing both off and online – flightcentre.com.au TTV up more than 20% after being upgraded as part of blended travel model

2012/13: Segment result – UK



- ❑ **\$32million EBIT – result exceeded prior record (2011/12) by 32%**
- ❑ **Main profit driver outside Australia and third largest sales generator**
- ❑ **Gaining share in market that has contracted since 2009 recession**
- ❑ **Leisure and corporate profits both up, but stronger leisure performance**
- ❑ **Specialisation and hyperstore strategies working well in leisure sector**
- ❑ **More efficient corporate business – profit growth exceeded TTV growth**
- ❑ **Plan in place to double UK TTV to GBP1.5b between 2012 and 2017**



EBIT has doubled in past two years and grown at a CAGR of 21% since 2009

2012/13: Segment result – USA



- ❑ EBIT up 11% to record \$10.9m – third consecutive full year profit
- ❑ Corporate the major driver (40% of TTV), Liberty and GOGO also profitable
- ❑ US corporate now FLT's largest individual division by sales outside Australia and a top 10 US travel manager, but only represented in 15 cities
- ❑ Four new cities – Philadelphia, Houston, Denver and San Diego – added
- ❑ First US hyperstore in Madison Avenue performing well after October 2012 opening, now home to 9 teams (7 brands)
- ❑ Hyperstore trading 8am-8pm weekdays and 9am-6pm weekends
- ❑ Positive trends in GOGO (external wholesale) during 2H
- ❑ Monitoring goodwill on acquired Liberty and GOGO businesses

2012/13: Segment result – rest of world



New Zealand

- ❑ EBIT up 84% and 3rd largest profit contribution to FLT group during FY13
- ❑ Estimated 25% travel agency market-share and expanding in niche areas

South Africa

- ❑ Good contribution – currency impact on EBIT and TTV growth translation

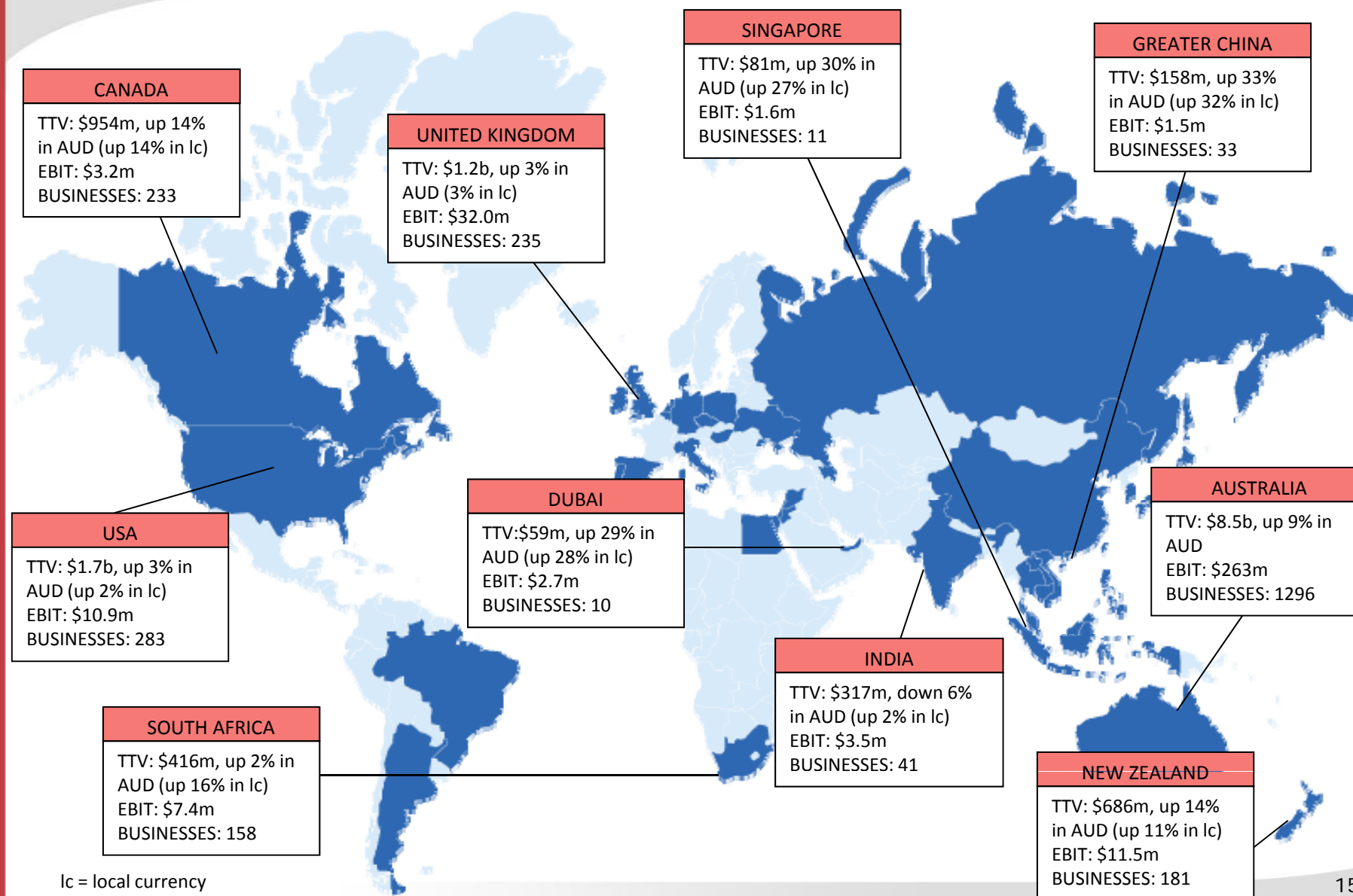
Canada

- ❑ Sales growth and profitable, but bottom-line down on PCP and adversely affected by leisure losses (investment in new brands, FCB underperforming)
- ❑ Expansion into Montreal and Saskatoon during FY13

Asia/Middle East

- ❑ Greater China and Singapore growing solidly off small base
- ❑ Singapore leisure profit (leisure turnover up 84% across Asia-Middle East)
- ❑ Improved India result but ongoing challenges
- ❑ Dubai EBIT down on PCP, but good sales growth. First leisure shop opened

2012/13: Results by country



Killer theme: Travel agent to travel retailer



Flight Centre Limited is transitioning from a travel agent to a world class retailer of travel products to leisure and corporate customers

*Being a world class retailer means we are
the brand/business people identify with and go to*

*It is very different to being an agent, a middle man,
a dealer for someone else's product*

Killer theme: Travel agent to travel retailer



Killer theme is aligned to FLT's longer term strategic "foci" and built around:

1. Brand and specialisation
2. Unique product
3. Experts, not agents
4. Redefining the shop
5. Blended access
6. Information as power
7. A sales and marketing machine

1) Brand and specialisation



Aim

Evolving our brands to truly specialise in specific areas of travel and have clear customer value propositions (CVPs)

Brands must be able to answer three questions that clearly illustrate why they are the customer's best alternative:

1. What do they have that is special?
2. What do they know that is special?
3. What do they do that is special?

Major initiatives/progress update

- ☐ The Brand Planning System
- ☐ Global Brand Taskforces
- ☐ Flight Centre 7

2) Unique product



Aim

Making, combining and sourcing exclusive FLT products and services, rather than simply selling suppliers' products

"Our product – not just someone else's"

Major initiatives/progress update

- ☐ **Red Label Fares – exclusive Flight Centre airfares launched in June 2013**
- ☐ **Black Market flights – now Student Flights' largest enquiry generators**
- ☐ **Escape Travel interest-free holiday offers**
- ☐ **myTime (hotel VIP program for FLT customers) expanding globally – sales at myTime properties growing faster than other properties**
- ☐ **SmartSTAY launched as myTime-style value-add for corporate clients**
- ☐ **Travel Butler – Help at hand for UK customers with round-the-world tickets**
- ☐ **Corporate business range**

Unique product: Red Label Fares



FLIGHT CENTRE®
The Airfare Experts

LOWEST AIRFARE GUARANTEE
We will beat any airfare quote or you fly free.*

The Captain's
Red Label Fares
with **Price Drop Protection™**

So much more than your average airfare.
Red Label Fares come with:

- ✓ **Price Drop Protection**
– if the price becomes cheaper we'll credit you the difference
- ✓ **Unique to Flight Centre**
- ✓ **\$50 Multi-Currency Cash Passport***

Flying Virgin Australia
Los Angeles
from **\$2256***

One way Premium Economy & one way in Economy Class.
BONUS \$200 booking credit to use towards accommodation, car hire, day trips & transfers.

Unique product: Interest-free packages

The advertisement for the Bali Bonus Bundle features a scenic background image of a traditional Balinese temple with multiple tiered roofs, surrounded by lush greenery and a body of water. The text is overlaid on this image. At the top, the title "Bali Bonus Bundle" is in large white font, followed by icons for a plane, a bed, and a star. Below the title, it says "Bundle and save with these value-packed holidays available exclusively at Escape Travel". The "INCLUDES" section lists: 5 nights at the 5-star Conrad Bali, Accommodation in a Deluxe Garden Room, Return economy class airfares to Bali flying Virgin Australia, Return airport transfers, and Breakfast daily. The "BONUS" section lists: Resort activities including massage lessons, water aerobics, meditation and more, Exclusive access to Jhwa Spa including Sauna, Jacuzzi and cold-dip pool, and 15% discount on Jhwa Spa treatments. The price is listed as "from \$1175* pp". A red box highlights an "Upgrade for \$499* pp" which includes: Business class airfare one way flying Virgin Australia, Upgrade to a Deluxe Resort Room, and Return private car transfers. The "australia" logo is at the bottom right of the red box. A yellow circular badge in the bottom left corner says "6 MONTHS INTEREST FREE". The bottom of the ad features the "EscapeTravel" logo with the tagline "the holiday people", the phone number "Call 1300 788 748", and the website "or visit escapetravel.com.au".

Bali Bonus Bundle ✕ + 🛏 + ★

Bundle and **save** with these value-packed holidays available exclusively at Escape Travel

INCLUDES

- 5 nights at the 5-star Conrad Bali
- Accommodation in a Deluxe Garden Room
- Return economy class airfares to Bali flying Virgin Australia
- Return airport transfers
- Breakfast daily

BONUS

- Resort activities including massage lessons, water aerobics, meditation and more
- Exclusive access to Jhwa Spa including Sauna, Jacuzzi and cold-dip pool
- 15% discount on Jhwa Spa treatments

from **\$1175*** pp

Upgrade for \$499* pp

- Business class airfare one way flying Virgin Australia
- Upgrade to a Deluxe Resort Room
- Return private car transfers

6 MONTHS INTEREST FREE*

Valid on holidays over \$999. Apply online or in store now!

EscapeTravel the holiday people

Call **1300 788 748** or visit escapetravel.com.au

*Terms and conditions apply. 6 months interest free provided by applying for the Lombard Visa Card and is only available to approved applicants. It is subject to further terms and conditions contained in the Lombard Visa Card Account Conditions of Use and Lombard Visa Card Product Schedule. An application fee \$60, monthly account fees \$2.90 and other fees and charges are payable. The Lombard Visa Card is a credit facility provided by Lombard Finance Pty Limited (ABN 31 049 051 877) (Australian Credit Licence Number 247 415). *Travel restrictions and conditions apply. Please see us for further details. Prices and taxes are correct as at 12 Aug 13 and are subject to change without notice. Upgrades and conditions to advertised products including pricing may be found at www.escapetravel.com.au/deals. Prices quoted are on sale until 23 Aug 13 unless otherwise stated or sold out price. Prices are per person and are subject to availability. Accommodation (if included) is based on twin share unless otherwise stated, single supplement applies for lone. Seasonal surcharges and blackout dates may apply depending on date of travel. Prices shown are fully inclusive of taxes, levies, government charges and other applicable fees. Airfare not included unless otherwise stated. Where airfare is included, additional taxes specific to your flight routing may apply and/or may not include checked luggage (which can incur additional charges). Payments made by credit card will incur a surcharge. Prices shown are for payments made by cash in store. Advertised price includes any bonus nights. Bonus room upgrades and early check-in and late check-out are subject to availability. Minimum/maximum stay restrictions may apply. Travel Dates: 10 Feb - 26 Mar 14. *Bonus afternoon tea from 3pm-5pm and evening cocktails from 5pm-7pm. FROM ADELAIDE. Flight Centre Limited (ABN 25 003 377 188) trading as Escape Travel. Licence Number: TDA254. 21m_18aug_6m_bundle

3) Experts, not agents



Aim

Ensuring each brand's people are experts in understanding the brand's speciality and that they in turn are backed by "travel gurus", who are readily available if additional expertise is required

Major initiatives/progress update

- ☐ Brand-based training
- ☐ PSP (Professional Sales Program) – expertise accreditation
- ☐ Guru program – experts behind the scenes to back-up front-end staff
- ☐ E Bytes – short, sharp expert training

4) Redefining the shop



Aim

Ensuring corporate, wholesale and retail spaces reflect that FLT's people are retailers first and foremost, not office workers

Major initiatives/progress update

- ☐ Hyperstore fit-out – product zones etc
- ☐ Digital content on/offline
- ☐ Corporate travel hubs – not just booking offices
- ☐ Mobilising consultants in-store – trialled initially in US hyperstore

Redefining the shop: NYC hyperstore



5) Blended access



Aim

Ensuring FLT's brands are always available to customers. They can touch, browse and buy FLT's products when and how they want – online, offline, shop, email, chat, phone or SMS

Major initiatives/progress update

- ☐ Model developed and refined after studying and meeting overseas retailers that had successfully blended on and offline offerings
- ☐ Similar to model that is in place within FLT's corporate business
- ☐ Will ultimately allow customers to interact with FLT and its consultants in any channel at any time throughout the travel cycle
- ☐ Three implementation phases
- ☐ Phase 2 complete for Flight Centre brand in Australia, but W.I.P elsewhere
- ☐ Liberty and South Africa transactional websites set for 1H launch

Blended access – milestones



KEY MILESTONES	STATUS	ELEMENTS
PHASE 1	✓	<ul style="list-style-type: none"> ❑ Pre and post booking processes blended ❑ Customers able to enquire, pay and view itineraries online
PHASE 2	✓	<ul style="list-style-type: none"> ❑ More products and services available online ❑ Published international fares, global hotels ❑ Online access to human search engines ❑ Consultant “chat” and “select” introduced – “chat” conversion three-times higher than general email conversion for Flight Center USA site and about to be introduced on flightcentre.com.au and other sites ❑ Perfect Match trialled
PHASE 3	WIP	<ul style="list-style-type: none"> ❑ Work continues on fully integrated model ❑ Will ultimately allow customers to switch seamlessly between sales channels any devices at any stage

6) Information as power



Aim

Gaining a better understanding of customer habits and proactively using this information, thereby delivering and developing better products and increasing FLT's relevance to customers

Major initiatives/progress update

- ☐ In-house data team
- ☐ Profile management and capability
- ☐ Pattern identification per brand – top 10s – to create better products

7) A sales and marketing machine



Aim

Ensuring each brand has the best and most BDMs, an advertising plan and deployment that delivers on the opportunity to increase market share

Major initiatives/progress update

- ☐ Re-marketing growth
- ☐ Direct response and advertising
- ☐ Digital in shop
- ☐ Perfect Match – proactively pairing customers with consultants who have recent first hand experience of the customer's chosen destination/style of travel

2013/14: Guidance



- ❑ Initially targeting \$370m-\$385m PBT, assuming stable trading conditions and excluding any significant unforeseen items
- ❑ Also excludes possible goodwill impairment (USA and/or India)
- ❑ Target represents 8-12% growth on underlying 2012/13 PBT
- ❑ Tracking ahead of last year based on July/August results but relatively low comparatives – next few months a truer indication of performance
- ❑ 8-10% sales network growth expected – sales staff and shops/businesses
- ❑ Mainly organic growth but some small acquisitions possible (vertical integration without capital assets)
- ❑ Likely to invest up to \$60m in cap-ex, in line with annual D&A charge
- ❑ Strategies to grow profit, productivity in all businesses globally into the future

2013/14: Australian growth priorities



- ☐ **Retail prosperity – improving front-end performance and results in FLT's largest business**
- ☐ **Blended travel**
- ☐ **Delivering a seamless customer experience**
- ☐ **Corporate travel recovery – strategies in place to fast-track TTV growth**
- ☐ **Designing and delivering unique manufactured product in all brands**

2013/14: The US dollar

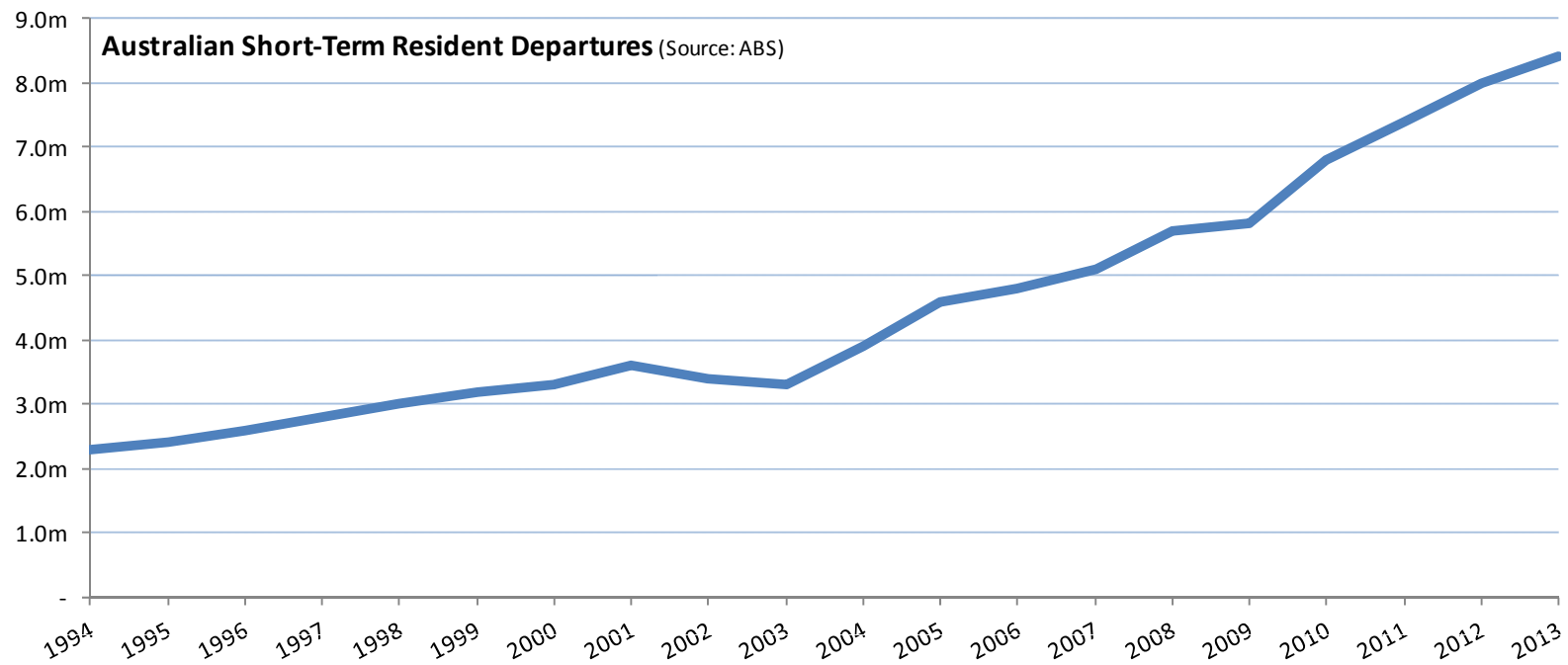


- ❑ FLT does not expect AUD v USD FX shifts to significantly affect its business
- ❑ Consistent growth in overseas travel over 20+ years suggests Aussie outbound is structurally driven, not FX driven
- ❑ Supported by statistics taken from FLT's Discover The Americas travel expos throughout Australia this month – good sales growth despite weaker AUD
- ❑ FX shifts haven't traditionally altered FLT's domestic v international mix
- ❑ Customers typically adjust "at destination" spend – upgrade/downgrade plans
- ❑ FLT's fortunes not tied to outbound travel – large Australian domestic focus
- ❑ Weaker AUD will also enhance overseas profit translation

2013/14: The US dollar



- ❑ Circa 7% CAGR in Australian outbound departures between FY94 and FY13
- ❑ 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



2013/14: UK and USA growth



UK

- ❑ Experienced management team in place with track record of success and blueprint to drive future growth
- ❑ Targeting 11% sales network growth, including new hyperstores in Victoria (London), Bristol and Leeds
- ❑ Work underway on blended retail travel model
- ❑ Renewed focus on account and BDM growth in corporate travel

USA

- ❑ Targeting \$12m-\$14m EBIT – 1H losses likely, followed by 2H profits
- ❑ Set for largest year of network growth since Liberty-GOGO acquisition
- ❑ New travel centers (hyperstores) to open in Boston, Chicago and Philadelphia
- ❑ Smaller superstores to be created by adding “direct” teams to existing shops
- ❑ Corporate to benefit from FY13 BDM growth and expanding into Atlanta and Minneapolis, giving it a presence in 17 cities

2013/14: Other growth opportunities



New Zealand

- ❑ Aiming to build on successes of FY13
- ❑ Plan to launch transactable Student Flights website
- ❑ Rapidly expanding Cruiseabout – targeting five new shops (13 by June 30)

South Africa

- ❑ Targeting 12% business growth – fastest growth in corporate and niche leisure

Canada

- ❑ On track to become FLT's 4th country to reach \$AUD1b in annual TTV
- ❑ Focus on improving leisure travel performance
- ❑ Expanding Flight Centre Business Travel model and expecting further solid corporate growth (FCm to launch in Montreal)

Asia/Middle East

- ❑ Continuing to build corporate presence, while developing small but successful leisure travel footprint

Capital management



- ❑ Internal goal to retain sufficient cash to cover three months operating expenses – circa \$400m
- ❑ Cash balances currently exceeds this amount but will reduce during 1H14 (after dividend and tax instalment payments)
- ❑ May use cash to fund small acquisitions and considering retiring \$30m in overdrafts/loans (related to Asia-Middle East corporate businesses)
- ❑ Directors will consider all options, but current preference is to increase dividend yields if excess cash is to be returned to shareholders in future
- ❑ TCF restrictions repealed in Australia but no affect on cash holding position

End of presentation



☐ Questions?

Appendix 1: Average international yield (Aus)



- ❑ No major change in average airfare prices during 2012/13
- ❑ Average international fare remains well below pre-GFC levels
- ❑ Statistics are based on GDS net ticketed revenue and do not include all airlines or fuel surcharges (indicative of overall pricing trends only)

