

FLT 2013 Full Year Result Analyst Briefing

2 September, 2013

Presentation outline



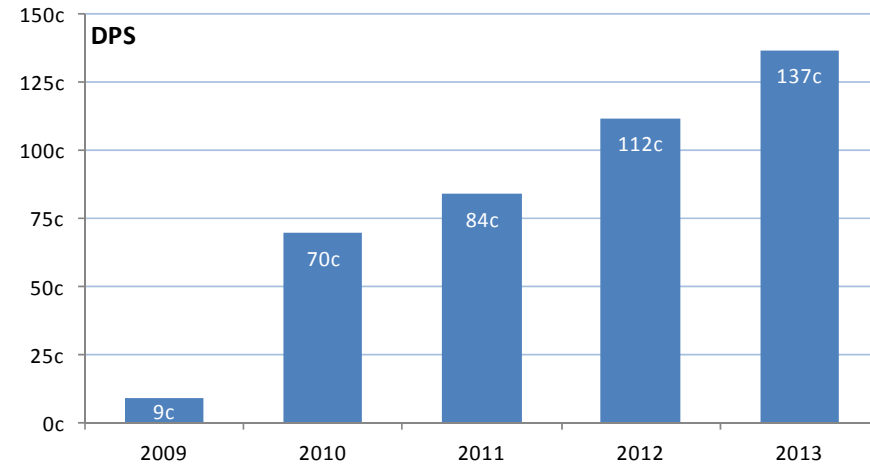
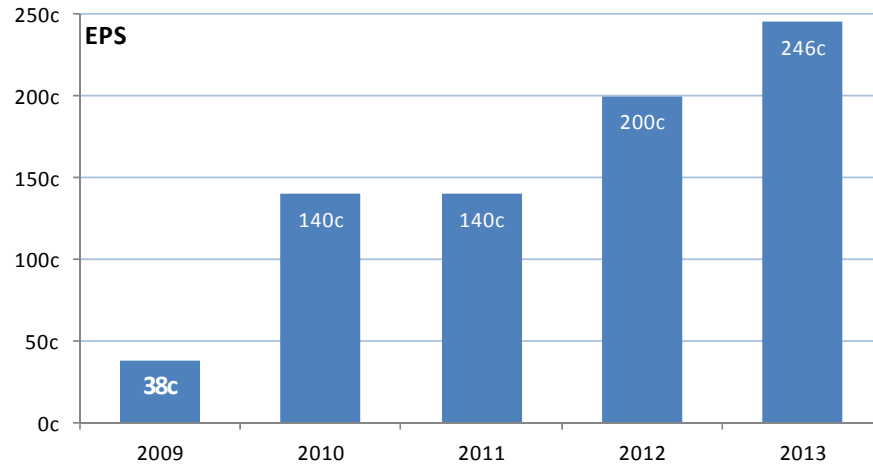
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|--|---------------------------------|
| <input type="checkbox"/> Introduction | Haydn Long (Investor relations) |
| <input type="checkbox"/> FY13 In Review | Andrew Flannery (CFO) |
| <input type="checkbox"/> Travel Agent to Travel Retailer | Melanie Waters-Ryan (COO) |
| <input type="checkbox"/> Expanding Corporate Presence | Graham Turner (CEO) |
| <input type="checkbox"/> Flight Centre USA | Dean Smith (EGM) |
| <input type="checkbox"/> Flight Centre UK | Chris Galanty (EGM) |
| <input type="checkbox"/> 2013/14 Outlook | Graham Turner |
| <input type="checkbox"/> Questions | |

FY13 In Review: Record sales and profit



- ❑ Record sales: TTV up 7.7% to \$14.3b, growth in leisure and corporate sectors and in all countries (in local currency)
- ❑ New profit milestones: Underlying PBT up 18.1% to \$343.1m (actual PBT \$349.2m)
Underlying NPAT up 20% to \$240m (actual NPAT \$246.1m)
- ❑ Growing globally: All countries profitable, record EBIT in Australia, UK, USA, Greater China and Singapore. NZ, South Africa and India up on PCP, Canada and Dubai down
- ❑ Margin improvement: Income margin up slightly, 2.4% net margin (highest since 02)
- ❑ Cost control: Contributing to margin growth, but ad spend likely to increase
- ❑ Cash generation: \$1.26b global cash and investment portfolio at June 30, including record \$433.8m in company cash
- ❑ Debt reduction: Borrowings down to \$46.2m after \$USD60m loan retired. Positive net debt position of \$387.6m

FY13 In Review: Improved shareholder returns

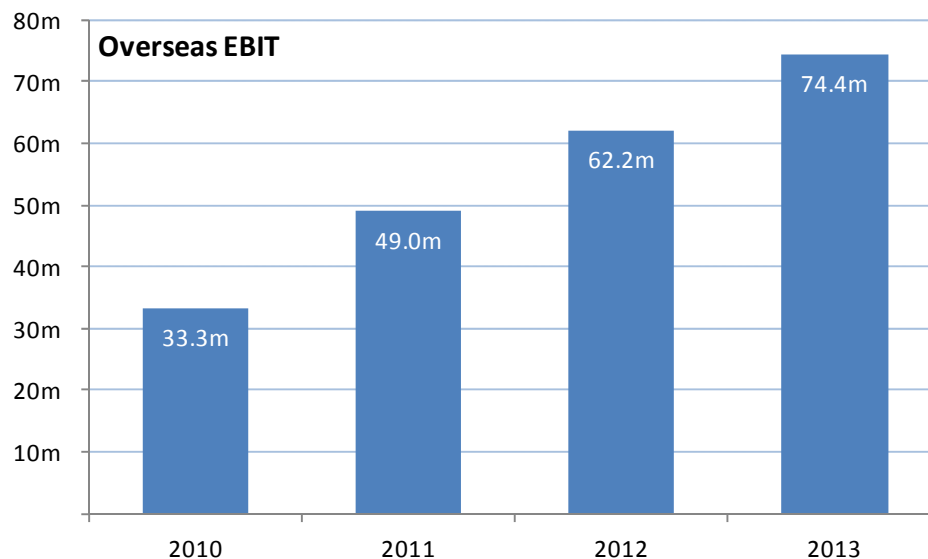


- Record EPS of \$2.46 (up 23%)
- Record DPS of \$1.37 (up 22.3%)
- Record share price – FLT included in Top 100 and MSCI
- \$20,000 investment at float (1995) now worth almost \$1million. Additional \$199,000 earned in dividends

FY13 In Review: Stronger foundations



- ❑ **New businesses: 5% network growth. 2500th shop opened in July 13**
- ❑ **Corporate sales force expansion: Strong growth in BDMs (up 27%)**
- ❑ **Gaining scale overseas: Overseas businesses contributed almost \$75m to group EBIT (up more than 20%) and now home to almost half of FLT's shops/businesses**
- ❑ **Investment in key projects : Blended travel, GSA, productivity enhancements, evolution from travel agent to travel retailer**



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

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" is aligned to FLT's longer term strategic
"foci" and built around seven "mini themes" ...

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



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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: Black Market Flights



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 the "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 the holiday people" logo and the contact information "Call 1300 788 748 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/australia. 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. air_13aug_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



Redefining the shop: Brisbane 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. Student Flights NZ site earmarked for FY14 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

Expanding corporate presence: History



- ❑ 20-year history in Australia – Corporate Traveller launched in 1993 (Melbourne)
- ❑ Now almost 500 offices in 11 countries
- ❑ Australia's largest corporate travel manager and a top ten player in several overseas countries (despite relatively small market-share)
- ❑ Corporate brands turned over \$4.3b during FY13, 31% of group turnover (FY09: 23%)
- ❑ Does not include corporate business transacted in leisure shops – FCBT business alone now turning over more than \$AUD400m globally
- ❑ Market segmentation strategy – five corporate brands
- ❑ FCm and Corporate Traveller the largest brands, with similar turnover globally
- ❑ Strong customer value propositions (CVPs) to attract and retain clients
- ❑ Extensive BDM network in place to win accounts



Expanding corporate presence: FCm



- ❑ Established by FLT in 2004 as the first global TMC headquartered in Australia
- ❑ FCm network extends to 81 countries – 11 equity and 70 licensees
- ❑ Judged world's Best TMC at the World Travel Awards for the second successive year
- ❑ Targeting national, regional and global accounts
- ❑ Diversified client base globally – circa 30 ASX Top 100 clients and 80+ multinationals
- ❑ New multinational team formed during FY13 to target global accounts
- ❑ Investing in new tools and products – apps, reporting, customer tracking



Expanding corporate presence: Client tools



FCm Portal



Single sign-on platform that streamlines management of client travel information (available 24/7)

Integrated resource incorporating online booking tools, travel policies, profiles etc

FCm Mobile



Instant access to itineraries, ability to check-in

Flight/traffic delay notifications, currency, weather information tools

FCm Secure



New proprietary travel risk management offering

Distributes news and alerts, tracks and identifies affected or potentially affected travellers

CLIENTBANK



National reporting platform – provides latest advances in reporting technologies to multinational clients

Dynamic reporting, benchmarking, scorecards, dashboards, map-based reporting, integrated traveller tracking

Expanding corporate presence: FCm & CT



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Flight Centre USA: 2012/13 highlights



- ❑ Now FLT's second largest country by sales, behind Australia
- ❑ 283 shops and businesses at June 30, 2013 and circa 1800 people
- ❑ EBIT up 11% during FY13 to record \$AUD10.9m – third consecutive profit
- ❑ Corporate the major driver (40% of TTV) and now FLT's largest individual division by sales outside Australia
- ❑ Liberty (leisure) and GOGO (wholesale) also profitable
- ❑ Four new cities – Philadelphia, Houston, Denver and San Diego – added to corporate network during FY13
- ❑ First US hyperstore in Madison Avenue performing well after October 2012 opening, now home to 9 leisure and corporate teams (7 brands)
- ❑ Hyperstore trading 8am-8pm weekdays and 9am-6pm weekends
- ❑ Positive trends in GOGO (external wholesale) during 2H. Worldwide Traveler brand launched and gaining traction

Flight Centre USA: Growth initiatives

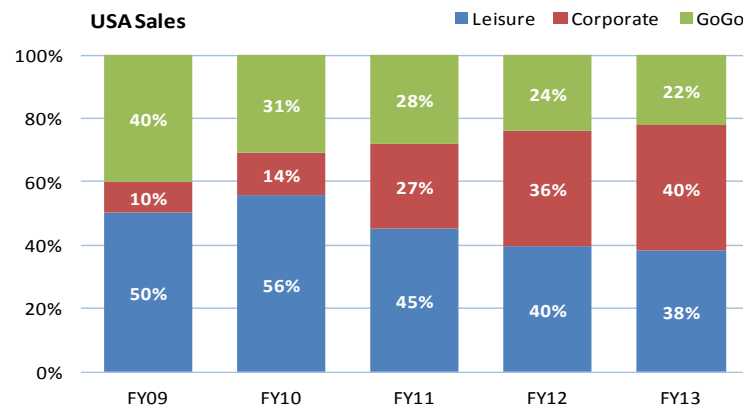


- ❑ Targeting \$12m-\$14m EBIT during FY14
- ❑ Losses likely during seasonally weaker 1H, followed by 2H profits
- ❑ Set for largest year of network growth since Liberty-GOGO acquisition (2009)
- ❑ New travel centers (hyperstores) featuring flagship Liberty stores to open in Boston, Chicago and Philadelphia
- ❑ Smaller superstores to be created by adding “direct” teams to existing shops – making better use of existing real estate
- ❑ Flight Center brand (24/7 specialist airfare brand that primarily services web enquiry) expanding alongside Liberty
- ❑ Liberty transactional website to be launched during 1H
- ❑ Unique product range – MyTime, Worldwide Traveller wholesale product range and Flight Center manufactured airfares

Flight Centre USA: Corporate travel take-off



- ❑ USA corporate business growing rapidly – more than \$650m in turnover during FY13 (more than tripled since FY09) and set to benefit from BDM growth
- ❑ Now a top ten player in market that is estimated to exceed \$200b per year (Source: Phocuswright)
- ❑ Large percentage of US corporate travel is currently unmanaged (estimated \$100b per year) – key target market for Corporate Traveller in particular
- ❑ Strong client offering – money and time savings, ability to offer short-term credit, no contracts
- ❑ Solid footprint in place – presence in 15 cities and likely to be in 17 by June 30, 2014 with addition of Atlanta and Minneapolis and targeting 2-3 new cities each year over the medium term

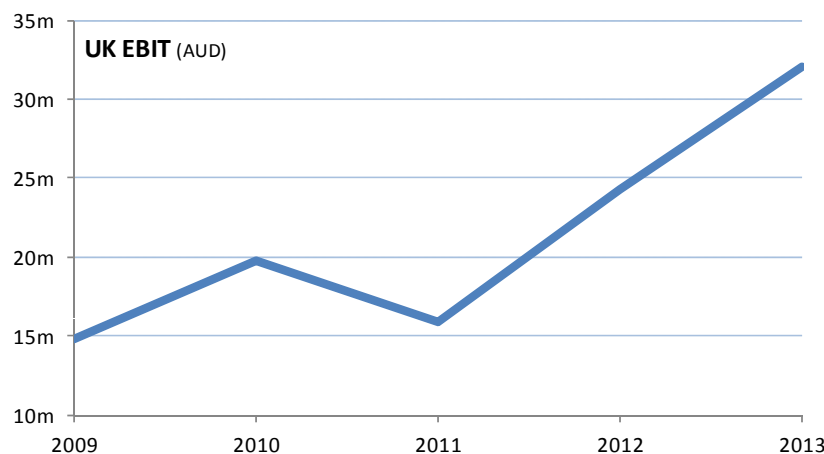


Corporate generated more than \$650m in turnover in FY13 and now represents 40% of TTV

Flight Centre UK: 2012/13 highlights



- ❑ **\$AUD32million EBIT – exceeded prior record (2011/12) by 32%**
- ❑ **Gaining share in market that has contracted since 2009 recession**
- ❑ **235 shops and businesses at June 30**
- ❑ **Specialisation and hyperstore strategies working well in leisure sector**
- ❑ **Non-profitable accounts transitioned out of FCm (adverse TTV impact but healthy bottom-line result)**
- ❑ **Global Sales Academy (GSA) making solid impact**
- ❑ **Expertise: Creating a CVP based on specialist rather than generalist knowledge**
- ❑ **Plan in place to double TTV between 2012 and 2017**



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

Flight Centre UK: Growth initiatives



- ❑ **Physical growth – growing property, teams, consultants, BDMs and customers. Targeting 11% sales network expansion during FY14, including new hyperstores in Victoria (London), Bristol and Leeds**
- ❑ **Productivity growth – growing TTV and income per consultant, via infrastructure enhancements, Big Easy project, One Best Way, consultant product expertise, GSA**
- ❑ **Product growth – growing specific product ranges and destinations. For example: hotel sales (FCBT), packages (Escape), long-haul holidays, manufactured airfares (Flight Centre)**
- ❑ **Leadership growth – growing FLT's leadership talent pool**

2013/14 Outlook: Market 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
- ❑ Targeting improvement in all countries
- ❑ Australia to remain key result driver – new opportunities for FC brand

2013/14 Outlook: Flight Centre brand



- ❑ Ongoing opportunities to grow flagship leisure brand in Australia
- ❑ Improving return per square metre of retail space – upstaffing existing stores (more consultants than desks), new “direct teams” in existing shops
- ❑ More “expert” teams (Flight Centre Business Travel, Round-The-World, First and Business Class)
- ❑ Hyperstores in capital cities and major regional centres – second Australian hyperstore to open in Queen Street Mall (Brisbane) this month
- ❑ More disciplined sales process via GSA (now fully deployed in Australian leisure business)
- ❑ Manufactured products and airfare expertise
- ❑ Tapping into new areas via blended model and mobile consultants
- ❑ New TV ad campaign just about to be launched

End of presentation



☐ Questions?