

---

# **FY14 Half Year Result Presentation**

## **February 26, 2014**

# Presentation outline



- Introduction Haydn Long (investor relations)
- Result overview Andrew Flannery (CFO)
- Strategic priorities Melanie Waters-Ryan (COO)
- Outlook Graham Turner (CEO)
- Questions
- Appendices

# Introduction



- Good start – PBT tracking slightly above targeted full year range after 1H
- Record results achieved and enhanced shareholder returns delivered
- Established businesses performing well, along with new businesses and brands
- Ongoing investment in sales network (2500<sup>th</sup> shop opened) and key projects
- Travel agent to travel retailer (FLT's Killer Theme) evolution gaining momentum
- Full year guidance maintained

# Result overview: 1H highlights

Highlights		
TTV	\$7.5b	↑ 13.5%
Revenue	\$1.1b	↑ 15.1%
PBT (actual)	\$155.0m	↑ 19.7%
PBT (underlying)	\$146.3m	↑ 13.0%
NPAT (actual)	\$110.8m	↑ 20.7%
NPAT (underlying)	\$104.7m	↑ 14.1%

## Key Drivers

- Expansion: 8.2% shop growth during past year – 1100 new jobs created
- Global sales growth: In-store, online and in both leisure and corporate travel
- Enhanced Productivity: Sales growth outpaced network growth
- Margin maintenance: Income margin up slightly, net margin maintained
- Diversity: Record 1H EBIT in four countries. Overseas EBIT up more than 30%

# Result overview: 1H 2014 summary



RESULTS IN BRIEF	DECEMBER 2013	DECEMBER 2012	Variance %
<b>TTV</b>	<b>\$7.5b</b>	<b>\$6.6b</b>	<b>13.5%</b>
<b>Revenue</b>	<b>\$1,054m</b>	<b>\$915m</b>	<b>15.1%</b>
Income margin	14.1%	13.9%	20bps
Net margin (underlying)	2.0%	2.0%	-
<b>Profit Before Tax (actual)</b>	<b>\$155.0m</b>	<b>\$129.5m</b>	<b>19.7%</b>
Abnormal items*	\$8.7m	-	-
<b>Profit Before Tax (underlying)</b>	<b>\$146.3m</b>	<b>\$129.5m</b>	<b>13.0%</b>
<b>Net Profit After Tax (actual)</b>	<b>\$110.8m</b>	<b>\$91.8m</b>	<b>20.7%</b>
<b>Net Profit After Tax (underlying)</b>	<b>\$104.7m</b>	<b>\$91.8m</b>	<b>14.1%</b>
Effective tax rate	28.5%	29.1%	
<b>Dividends</b>			
Interim Dividend	55.0c	46.0c	19.6%

\* Actual PBT for the first half of 2013/14 includes an \$8.7m one-off gain. Underlying results exclude this gain

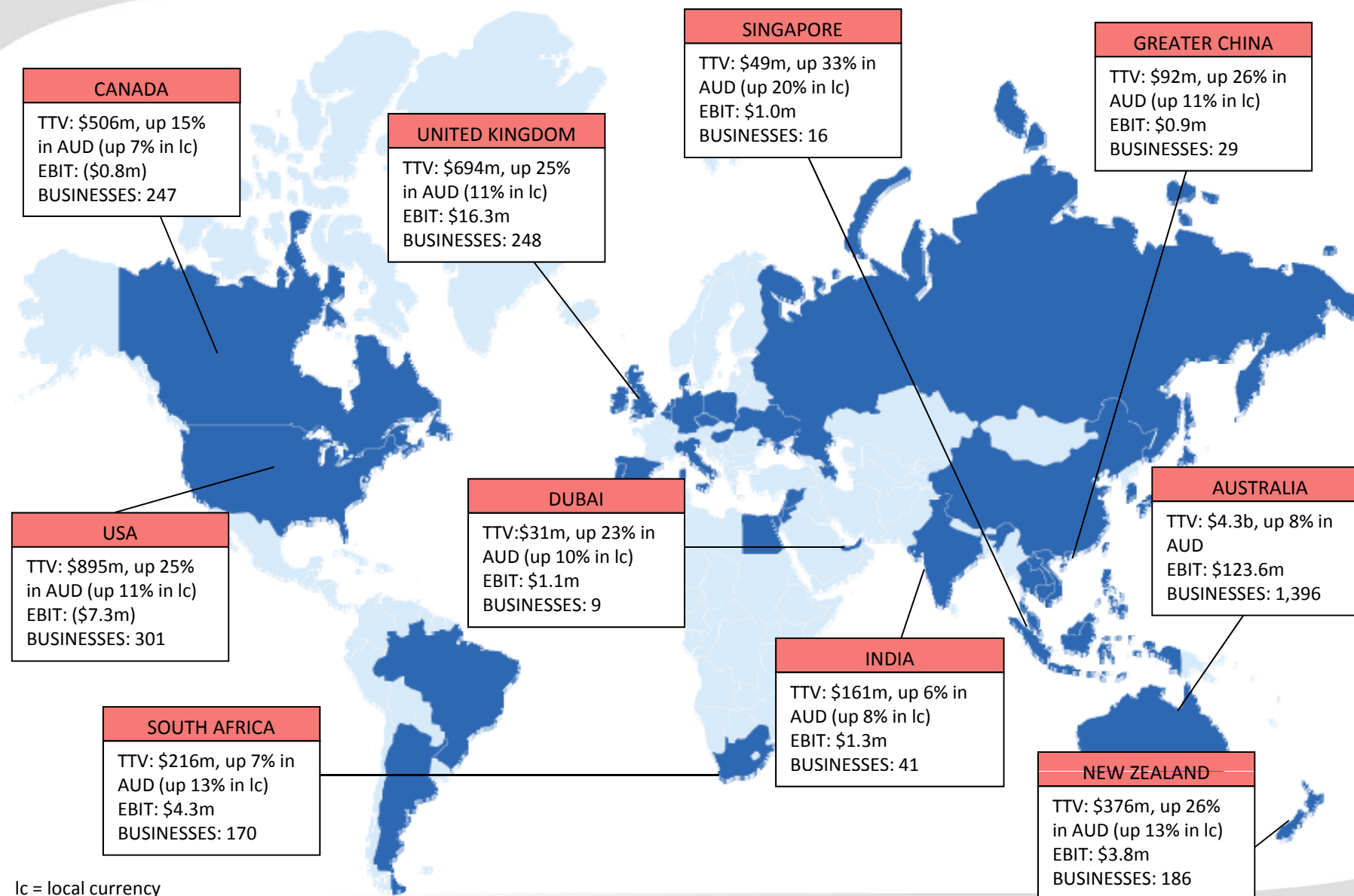
# Result overview: The Aussie dollar

- Weaker AUD has not adversely affected Australian outbound travel or FLT's Australian business, which generated record 1H results
- ABS data shows Australian outbound travel growth actually accelerated during 1H as AUD dropped (see Appendix 3)
- Has affected some results, including:
  - Translation of overseas sales – had the AUD remained at 12/13 levels, TTV would have increased in the order of 10%
  - Costs – weaker AUD inflated the expenses incurred by the overseas businesses; and
  - Profit – weaker AUD positively impacted overseas profit translation, as experienced in the UK, but negatively affected translation of overseas losses, as experienced in the USA

## Result overview: Cash & dividends

- \$1b global cash and investment portfolio at Dec 31, 2013 – 1H record
- Includes \$401.9m in general funds (company cash), up from \$319.5m at Dec 31, 2012
- Modest debt maintained (\$44.6m) – \$357.3m positive net debt position
- Operating cash outflow as expected during 1H – 2H inflow now underway
- More than \$55m to be returned to shareholders via 55 cents per share interim dividend (fully franked)
- More than \$1b in dividends now paid to FLT shareholders since float

# Result overview: Geographic snapshot



lc = local currency

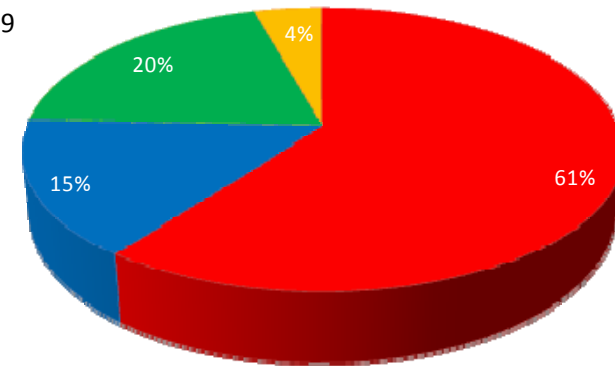


# Result overview: Australia

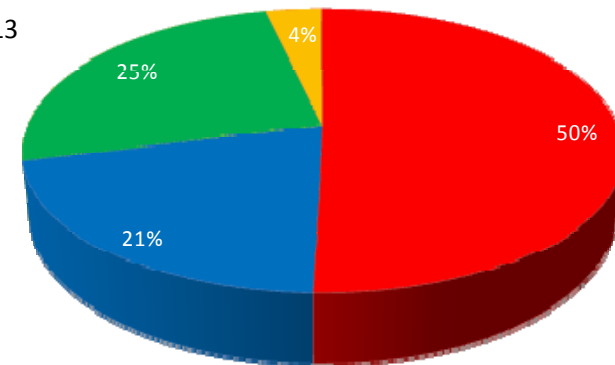
- Record 1H results
- Flagship Flight Centre brand growing and performing strongly
- Niche leisure and corporate brands also performing well – now generating about 50% of Australia's turnover
- Queen Street Mall hyperstore opened
- Increased marketing spend, unique products and move to brand-based structure delivering benefits
- Travellers benefiting from take-off in flights into and out of Australia – 80% growth over past decade (Appendix 5)

Australia Turnover by Division

2009



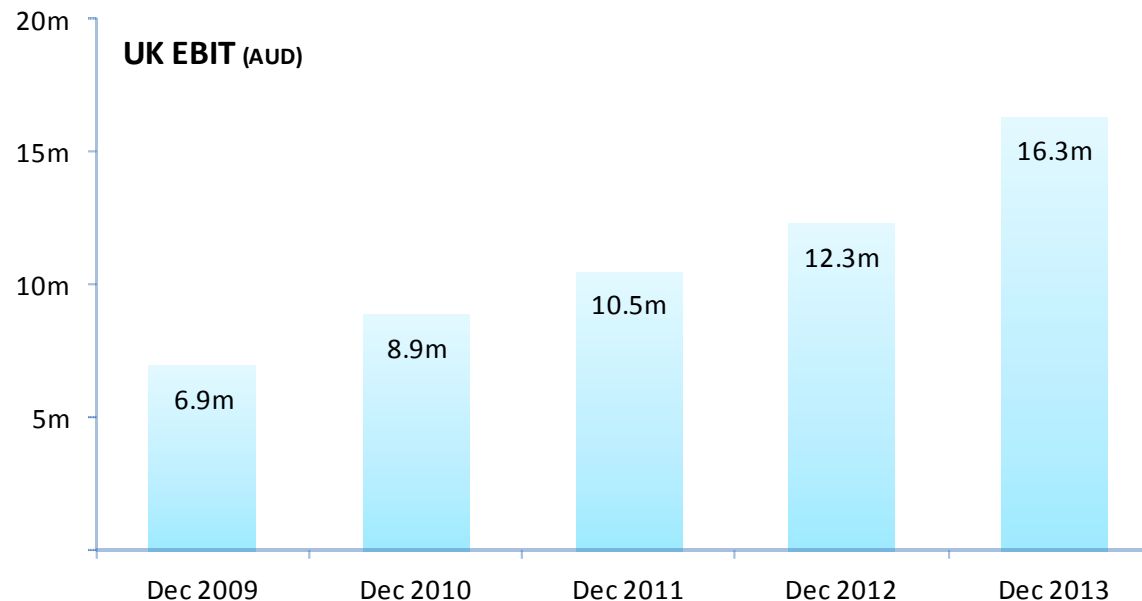
2013



■ Flight Centre Brand ■ Niche ■ Corporate ■ Other

# Result overview: UK

- Strong EBIT growth – up 33% in AUD (up 19% in GBP)
- EBIT has increased from \$6.9m in Dec 09 to \$16.3m in Dec 13 – 24% CAGR
- Ongoing network expansion – 250<sup>th</sup> shop opened early in 2H
- New hyperstores in Victoria (1H) and Bristol (early 2H) – Leeds, Aberdeen and Monument (London) stores to open late 2H14 or early 1H15
- Corporate Traveller and FCm both performing well – new efficiencies



## Result overview: USA

- Losses during seasonally slower trading period – early 2H results also impacted by severe weather
- Modest sales growth in leisure and wholesale – bottom-line growth needed
- Corporate growth trajectory continuing – generated 47% of 1H turnover
- Miami and Atlanta offices to open in 2H, giving FLT a 17-city US footprint
- Boston hyperstore opened this week, Philadelphia store to open 1H15
- Transactional Liberty website launched early in 2H
- Developing unique Liberty product lines to broaden sales mix

# Result overview: Rest of the world

## **SOUTH AFRICA**

- Good year-on-year growth in profit and sales
- Transactional Flight Centre website launched

## **NEW ZEALAND**

- EBIT up more than 80% in AUD – best 1H result since Dec 07
- Flight Centre brand performing strongly

## **CANADA**

- Overall results below expectations
- Continued corporate travel profits, aiming for leisure travel recovery during seasonally stronger 2H

## **CHINA, SINGAPORE, INDIA AND DUBAI**

- Record 1H EBIT from emerging Greater China and Singapore businesses
- Continued profits in India and Dubai

# Strategic priorities: FLT's transition



**FLT 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 retailer



- FLT's killer theme is aligned to company's longer term strategic "foci" and built around seven mini-themes:
  1. Brand and specialisation – brands with clear CVPs that mean something and are relevant to customers
  2. Unique product for all brands – ours, not just someone else's
  3. Experts, not agents
  4. Redefining the shop – a place where customers engage with the brand
  5. Offering blended access for customers so they can transact and enquire when and how they want
  6. Information as power – profiles, patterns and predictions
  7. Becoming a better sales and marketing machine

# 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: Red Label holidays



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

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

Every Red Label Holiday includes

- ✓ **\$150 Resort Credit\***
- ✓ **Price Drop Protection\*™**
- ✓ **FREE WiFi#**

**Bali**  
Airfare + 4 nights 4-star  
**\$1249\***  
from  
Return airfare flying Virgin Australia, breakfast daily  
& return transfers **PLUS** 1 FREE minibar top-up.

**Phuket**  
Airfare + 8 nights 4-star  
**\$1509\***  
from  
Return airfare flying THAI Airways  
**PLUS** 1 FREE minibar replenishment daily.

**FLIGHT CENTRE®** *The Airfare Experts*

Find more deals at  
[flightcentre.com.au](http://flightcentre.com.au)

**131 600**

\*Restrictions and conditions apply. Please ask us for further details or visit our website at [www.flightcentre.com.au](http://www.flightcentre.com.au). \*Travel restrictions and conditions apply. Please ask us for further details. Prices and taxes are correct as at 20 Jan 14 and are subject to change without notice. Updates and corrections to advertised products including pricing may be found at [www.flightcentre.com.au/ads](http://www.flightcentre.com.au/ads). Prices quoted are on sale until 28 Feb 14 unless otherwise stated or sold out prior. Prices are per person and are subject to availability. Accommodation (if included) is based on twin share. Seasonal surcharges and blackout dates may apply depending on date of travel. Additional fees, including surcharges and visa fees specific to your departure date or flight routing, may apply. 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. International airfares & holiday prices shown are for payments made by cash in store. Advertised price includes any PLUS nights. Minimum/maximum stay restrictions may apply. **FREE Minibar supplies:** Excludes alcoholic beverages, conditions apply. **Price Drop Protection:** For full Price Drop Protection terms please ask us or visit our website at [www.flightcentre.com.au/promotions/price-drop-protection](http://www.flightcentre.com.au/promotions/price-drop-protection). **\$150 Resort Credit:** \$150 resort credit is per adult per booking and is deducted from the total cost of incidental charges at the time of checkout. Credit will be the equivalent of \$AUD150 converted into the currency of the applicable destination at the time of checkout. Credit can only be used on selected products, ask your consultant for more details. Credit is not valid for flights, accommodation or transfers. No refunds or exchanges for unused credit. **FREE WiFi:** Subject to hotel/resort conditions. **FROM ADELAIDE.** Flight Centre Travel Group Limited (ABN 25 003 377 188) trading as Flight Centre. Licence No. TTA254. osm\_02feb\_3x6\_fc



# Unique product: Pack & Relax holidays

## Pack & Relax Holidays

✓ Return airlines ✓ Breakfast daily ✓ Airport transfers ✓ Bonus Inclusions ✓ 6 months interest free



### Bali

Bonus packed holidays – All you need to do is pack and relax!



#### VALUE

##### Bali

- Return airline flying Virgin Australia
- 5 nights at the Centra Toun Samiyak Bali
- Breakfast daily and return transfers

per person twin share from **\$1035\***

- Sunset Dinner Cruise
- Ubud Artistry Tour
- US\$300 resort credit



#### RELAX

##### Bali 4-star

- Return airline flying Virgin Australia
- 7 nights at the Kuta Paradise Hotel
- Breakfast daily and return transfers
- Access to kids club and fitness centre

per person twin share from **\$1499\***

- Sunset Dinner Cruise
- Ubud Artistry Tour
- 3 FREE nights
- US\$500 resort credit



#### ULTIMATE

##### Bali 5-star

- Return airline flying Virgin Australia
- 7 nights at The Stones Hotel Legian Bali
- Breakfast daily and return transfers
- FREE internet access
- Access to kids club and health club

per person twin share from **\$1699\***

- Sunset Dinner Cruise
- Uluwatu Tour and Sundown Kacik
- 20% spa discount
- US\$500 resort credit

6 MONTHS  
INTEREST  
FREE

Holiday experts now available 24/7!

Call, email, chat live to us online or visit us at one of over 145 stores nationally.

**EscapeTravel** the holiday people

Call **1300 550 543**  
or visit [escapetravel.com.au](http://escapetravel.com.au)

## Pack & Relax Holidays

✓ Return airlines ✓ Breakfast daily ✓ Airport transfers ✓ Bonus Inclusions ✓ 6 months interest free



### Phuket

Bonus packed holidays – All you need to do is pack and relax!



#### VALUE

##### Kata 4-star

- Return airline flying Malaysia Airlines
- 8 nights at the Kata Beach Resort
- Breakfast daily and return transfers
- 4 FREE nights
- 40% spa discount

per person twin share from **\$1325\***

- Elephant Trek and Rafting Tour
- Fantasia Show and Dinner
- Phi Phi Island by Speed Boat Tour
- THB1000 resort credit



#### RELAX

##### Patong

- Return airline flying Malaysia Airlines
- 10 nights at the Burasari Spa Resort
- Breakfast daily and return transfers
- FREE WiFi access
- 5 FREE nights

per person twin share from **\$1685\***

- Phuket Fantasia Dinner and Show
- Elephant Trek and Rafting Tour
- Phi Phi Island by Speed Boat Tour
- Dinner on two nights of your stay
- THB10,000 resort credit



#### ULTIMATE

##### Patong 4-star

- Return airline flying Malaysia Airlines
- 10 nights at the Phuket GraceLand Resort and Spa
- Breakfast daily and return transfers
- 5 FREE nights

per person twin share from **\$1785\***

- Phuket Fantasia Dinner and Show
- Elephant Trek and Rafting Tour
- Phi Phi Island by Speed Boat Tour
- Dinner on two nights of your stay
- THB10,000 resort credit

6 MONTHS  
INTEREST  
FREE

Holiday experts now available 24/7!

Call, email, chat live to us online or visit us at one of over 145 stores nationally.

**EscapeTravel** the holiday people

Call **1300 550 543**  
or visit [escapetravel.com.au](http://escapetravel.com.au)

# Unique product: Watertight deals

## Cruise the Pacific from just \$95 a night!

Book before **21 January 14** to receive

- ✓ **BONUS** onboard credit\*
- ✓ **Pay only \$200 deposit\***
- ✓ **ALL** entertainment & meals onboard\*

**Pacific Island Hopper**  
7 nights  
on Pacific Dawn, cruise departs Brisbane  
Itinerary Brisbane - Noumea - Lifou - Vila - Brisbane  
With all main meals & entertainment onboard & 7 night cruise included.  
**BONUS** \$50 onboard credit per cabin!\*

Cruises from \$899*	Includes from <b>\$799*</b>
Itinerary from \$1149*	

**Explore the Loyalty Islands**  
9 nights  
on Pacific Jewel, cruise departs Sydney  
Itinerary Sydney - Isle of Pines - Mare - Lifou - Isle - Noumea - Sydney  
With all main meals & entertainment onboard & 9 night cruise included.  
**BONUS** \$100 onboard credit per cabin!\*

Cruises from \$899*	Includes from <b>\$849*</b>
Itinerary from \$1399*	

**Queen'sland Coast**  
7 nights  
on Pacific Jewel, cruise departs Brisbane  
Itinerary Brisbane - Airlie Beach - Yorkey's Knob - Port Douglas - Willis Island - Brisbane  
With all main meals & entertainment onboard & 7 night cruise included.  
**BONUS** \$50 onboard credit per cabin!\*

Cruises from \$999*	Includes from <b>\$899*</b>
Itinerary from \$1249*	

It's just so easy. call us today on  
**1300 880 028**  
cruiseabout.com.au

## Unique product: Other exclusives

**SmartSTAY™**  
Check-in to better value

**BLACK MARKET  
FLIGHTS™**

EXCLUSIVE UNDER 26 OR STUDENTS  
Check out our awesome deals here!





# Mobile consultants: Queen St hyperstore



# Digital features: Queen St hyperstore



# Outlook: 2013/14 guidance



- Promising 1H results but too early to amend full year targets
- Continuing to target underlying PBT between \$370m and \$385m
- Targeted range represents 8-12% growth on record 2012/13 PBT
- Guidance assumes stable trading conditions and excludes possible goodwill adjustments (USA/India) or significant unforeseen items
- Key global strategies in place

# Outlook: Growth plans

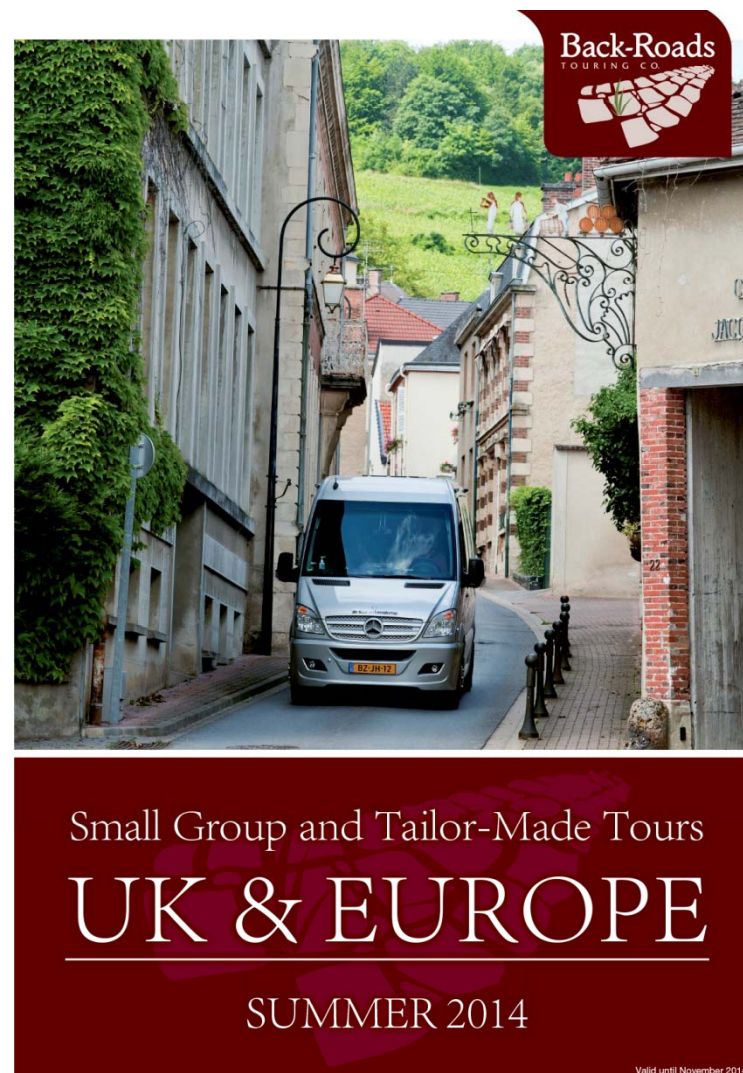


- Aiming for 8-10% network growth globally during 2013/14
- Expansion opportunities for all businesses
- Growth will primarily be organic
- Complemented by Escape Travel franchise growth – model reintroduced in Australia during 1H – and possible acquisitions



# Outlook: Acquisitions possible

- Seeking “capital light” vertical integration opportunities, following FLT’s success with Back-Roads Touring (UK) and other acquisitions
- Destination management companies – businesses that support FLT customers “at destination”
- Hotel management arrangements/joint ventures in key markets



Great Britain • Ireland & N. Ireland • France • Spain • Italy  
• Croatia • Greece • Turkey • Scandinavia • Battlefields



# Recent developments: Corporate growth

- Corporate travel brands accounted for one third of 1H TTV globally
- Does not include small corporate accounts that transact via FLT's leisure brands – Flight Centre Business Travel is growing rapidly
- Continued investment in corporate travel platforms – new Traveller Tools, reporting systems and risk management services
- Consolidation of Online Booking Tools and Expense Management Solutions
- New global team of multi-national BDMs starting to win accounts for FCm
- Continued FCm network development



**FLIGHT**  
**CENTRE**  
TRAVEL GROUP™

# Making it possible all over the world

A world map with a dark blue background. The map is populated with red and yellow dots representing office locations. A legend in the bottom left corner defines the symbols: a red dot with a white border for 'GLOBAL HEAD OFFICE', a solid red dot for 'REGIONAL HEAD OFFICE', and a yellow dot for 'OFFICE'. The map shows a high concentration of offices in Europe, particularly in Germany, the UK, and France. Other regional head offices are located in North America (USA, Canada), Mexico, South America (Brazil, Chile), Africa (South Africa), Asia (India, China, Japan), and Oceania (Australia, New Zealand). Numerous smaller yellow dots represent offices across all continents.

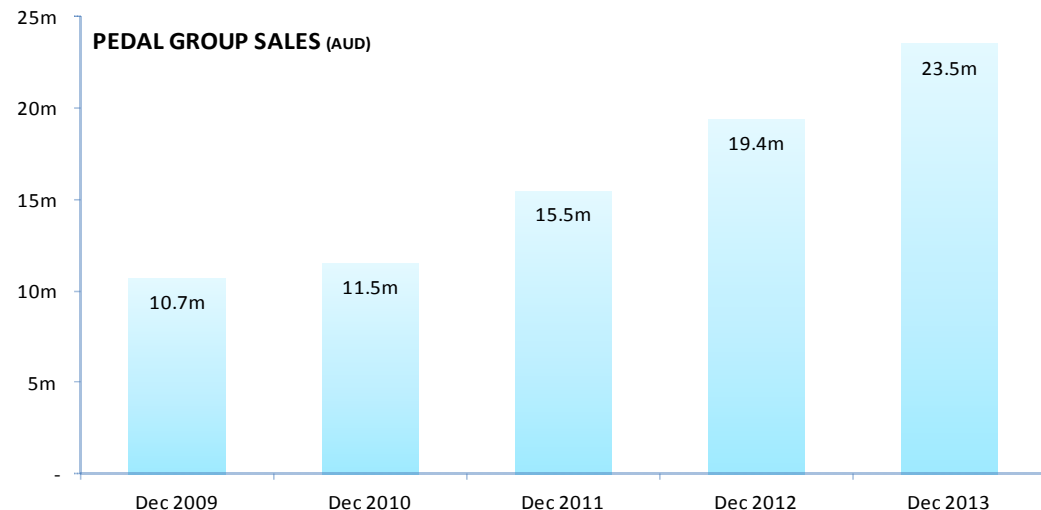
GLOBAL HEAD OFFICE

REGIONAL HEAD OFFICE

OFFICE

# Recent developments: A growth cycle

- Pedal Group cycle JV performing well – 1H sales up 21% to \$23.5m, EBIT more than doubled to \$1.5m
- Bicycle Centre licensing structure working well for wholesaler Advance Traders
- New 99 Bikes retail shops in Macgregor, Ipswich, Fitzroy and Brookvale (opened 2H)
- 99 Bikes shops planned for Bondi Junction and Capalaba during 2H



# Recent developments: 2015 RWC

- Flight Centre named an official travel agent to the 2015 Rugby World Cup
- Escape Travel and Travel Associates appointed sub-agents
- Packages on sale from January 2014
- Allocation includes final, semi finals and quarter-finals, plus all Australian pool matches



**RUGBY MEANS THE WORLD TO US!**

**Official ticket travel packages on sale now!**

Flight Centre is thrilled to announce that we've been appointed an Official Travel Agent for Rugby World Cup 2015 in England!

We can put together an unbeatable range of packages including official match tickets, airfares, accommodation, tours and transfers and so much more to make your Rugby World Cup experience unforgettable.

Matches will be played at 13 venues throughout England and in Cardiff, Wales from mid September 2015 through to 31 October.

Don't miss your chance to be part of Rugby World Cup History!

Talk to one of our expert consultants today or visit:

[www.flightcentre.com.au/rugby-world-cup](http://www.flightcentre.com.au/rugby-world-cup)

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

**FLIGHT CENTRE** *The Airfare Experts* **131 600**

TM © RWC Ltd 1986.  
Flight Centre Travel Group Limited (ABN 25 003 377 188) trading as Flight Centre. Lic No: QLD TAC262, NSW T20002719, ACT 18000224, VIC 31009, TAS T55031, SA T24214, WA 91A 096, NT 008.  
FCRM554726

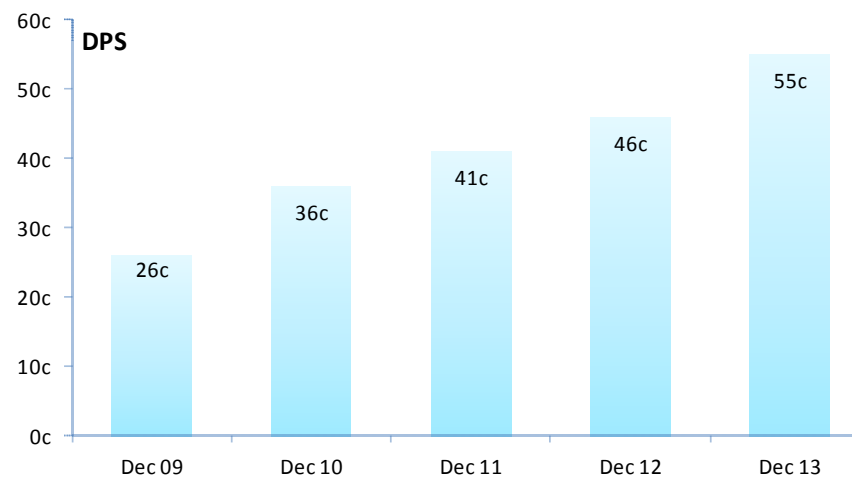
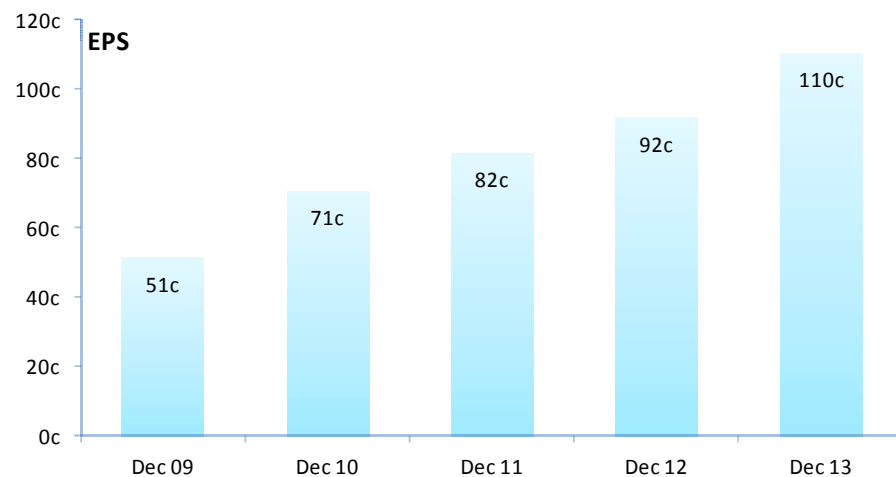
---

**End of presentation: Questions?**

# Appendix 1: Five-year growth trajectory

	DECEMBER 2013	DECEMBER 2012	DECEMBER 2011	DECEMBER 2010	DECEMBER 2009
<b>TTV</b>	<b>\$7,480m</b>	<b>\$6,593m</b>	<b>\$6,181m</b>	<b>\$5,668m</b>	<b>\$5,056m</b>
Income margin	14.1%	13.9%	13.9%	14.0%	14.3%
EBITDA	\$179.3m	\$148.9m	\$137.5m	\$121.3 m	\$100.5m
PBT	\$155.0m	\$129.5m	\$119.7m	\$101.1m	\$73.6m
<b>NPAT</b>	<b>\$110.8m</b>	<b>\$91.8m</b>	<b>\$81.6m</b>	<b>\$70.5m</b>	<b>\$51.1m</b>
EPS	110.3c	91.7c	81.6c	70.6c	51.3c
DPS	55.0c	46.0c	41.0c	36.0c	26.0c
ROE	10.3%	10.4%	10.5%	9.9%	8.0%
Cap-ex	\$28.2m	\$28.4m	\$27.4m	\$24.2m	\$8.6m
Building acquisitions	-	-	-	\$0.6m	-
Selling staff	13,096	12,317	11,866	10,973	9,831
General cash	\$401.9m	\$319.5m	\$316.9m	\$249.9m	\$230.0m
Client cash	\$594.4m	\$453.9m	\$429.8m	\$406.2m	\$398.6m
<b>Cash and cash equivalents</b>	<b>\$996.3m</b>	<b>\$773.4m</b>	<b>\$746.7m</b>	<b>\$656.1m</b>	<b>\$628.6m</b>
AFS investments & financial assets	\$32.2m	\$55.1m	\$53.7m	\$74.8m	\$97.8m
<b>Cash and investments</b>	<b>\$1028.5m</b>	<b>\$828.5m</b>	<b>\$800.4m</b>	<b>\$730.9m</b>	<b>\$726.4m</b>

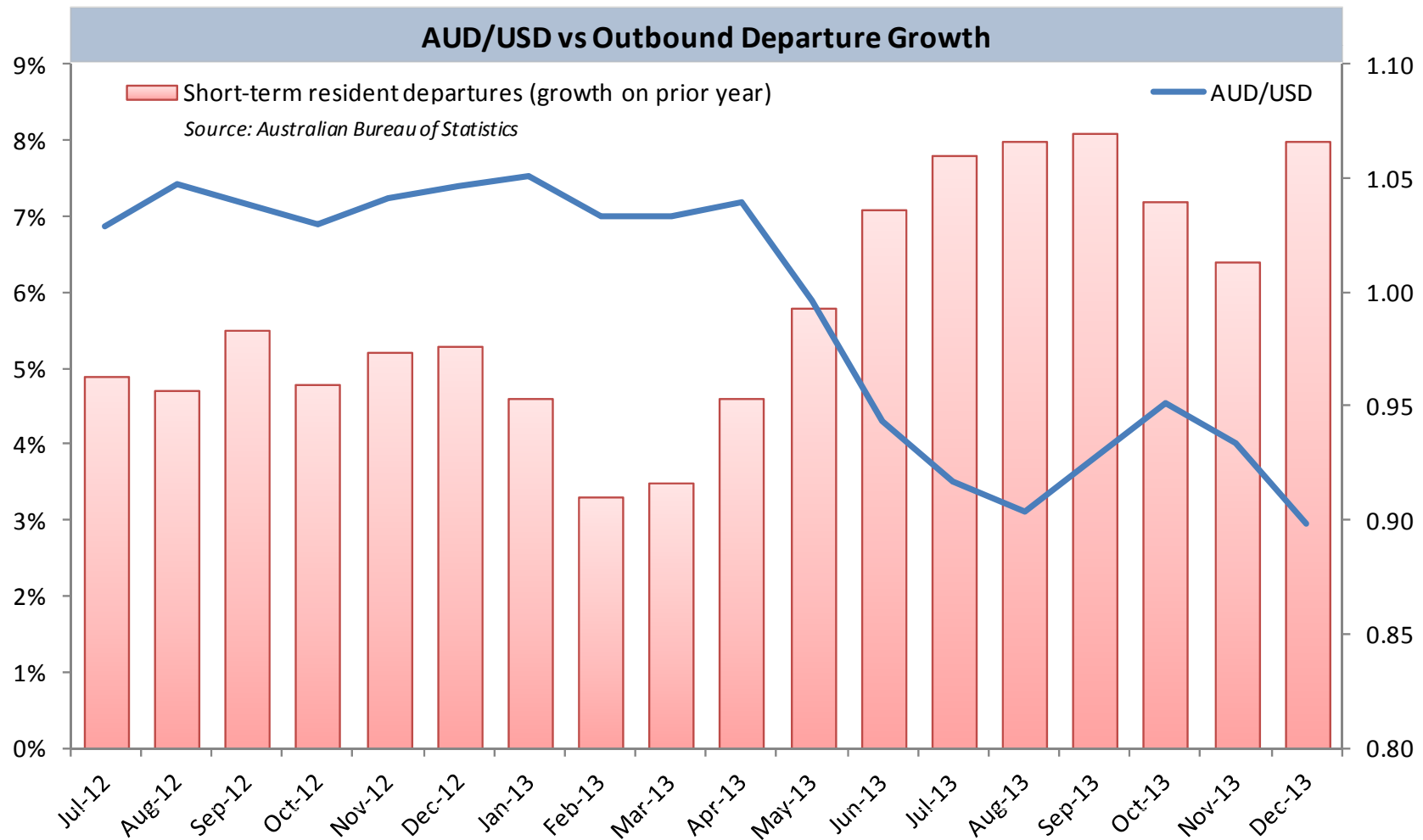
## Appendix 2: Shareholder returns



- Record EPS of \$1.10, up 20%
- Record DPS of 55c, up 20%
- Share price at record levels during 1H



## Appendix 3: AUD down but outbound up





## Appendix 4: Blended milestones – online

KEY MILESTONES	STATUS	ELEMENTS
PHASE 1	✓	<ul style="list-style-type: none"> <li><input type="checkbox"/> Pre and post booking processes blended</li> <li><input type="checkbox"/> Customers able to enquire, pay and view itineraries online</li> </ul>
PHASE 2	✓	<ul style="list-style-type: none"> <li><input type="checkbox"/> More products and services available online – Flight Centre sites transactional in Australia, South Africa. Transactional Liberty site just launched</li> <li><input type="checkbox"/> Published international fares, global hotels</li> <li><input type="checkbox"/> Online access to human search engines</li> <li><input type="checkbox"/> Consultant “chat” and “select” introduced on various sites. Chat added to flightcentre.com.au in Jan 14</li> <li><input type="checkbox"/> Perfect Match trialled</li> </ul>
PHASE 3	WIP	<ul style="list-style-type: none"> <li><input type="checkbox"/> Work continues on fully integrated model</li> <li><input type="checkbox"/> Will ultimately allow customers to switch seamlessly between sales channels any devices at any stage</li> </ul>

## Appendix 5: Flight numbers taking off

- Flight numbers into and out of Australia have increased circa 80% during the past decade
- A key driver of international travel
- Travellers benefiting from cheaper fares, more choice and more convenience

