

Flight Centre Limited

2010 Half Year Results

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Presentation by
Andrew Flannery – chief financial officer

2010 first half - highlights



PROFIT



**Strong growth – actual pre-tax profit up 115% (up 19% on normalised 08/09 result)
2008/09 included record 1Q – opportunity for strong 2H growth compared to weak PCP**

SALES



**Good volumes – up 20% on PCP in some markets
Average prices (yields) still lower than normal – cheap fares stimulating demand**

INCOME MARGIN



**Further margin growth – increased to 13.9% during 1H
Direct contracting model, commissions and fixed margin air contracts contributing**

CASH



**\$726.4m in cash and investments at December 31, up 10%
Company cash building – FLT strengthening its positive net debt position**

SHAREHOLDER RETURNS



**26 cents per share interim dividend – 51% return of NPAT to shareholders
EPS up 96%**

MARKET CONDITIONS



**Conditions stabilising after turbulence of 2H 2008/09 – rate of actual recovery varies
Australian business performing strongly and driving overall profit growth**

2010 first half - results



RESULTS IN BRIEF	HALF YEAR RESULTS		
	December 2009	December 2008	Variance %
\$' million			
TTV	\$5,201	\$5,788	(10.1 %)
Gross Profit	\$722.8	\$773.1	(6.5 %)
EBITDA	\$100.5	\$53.2	88.9%
EBIT	\$73.9	\$25.0	195.6%
Profit Before Tax (actual)	\$73.6	\$34.2	115.2%
Profit After Tax (actual)	\$51.1	\$26.1	95.8%
Effective tax rate	30.6%	23.7% [★]	
Dividends			
Interim Dividend	26.0 c	9.0 c	

★ FLT's 2008/09 effective tax rate was abnormally low after the company recognised some US tax losses

Five-year result summary



	December 2009	December 2008	December 2007	December 2006 [★] (ex abnormal)	December 2005
TTV	\$5,201 m	\$5,788 m	\$4,800 m	\$4,100 m	\$3,700 m
Income margin	13.9%	13.3%	13.4%	12.6%	12.9%
EBITDA	\$100.5 m	\$53.2 m	\$105.2 m	\$63.0 m	\$63.0 m
PBT	\$73.6 m	\$34.2 m	\$90.9 m	\$53.0 m	\$49.8 m
NPAT	\$51.1 m	\$26.1 m	\$61.2 m	\$35.4 m	\$33.6 m
EPS	51.3 c	26.2 c	64.0 c	37.5 c	35.6 c
DPS	26.0 c	9.0 c	37.5 c	20.0 c	20.0 c
ROE	8.0%	4.2%	10.2%	8.1%	8.7%
Cap-ex	\$8.6 m	\$42.2 m	\$39.3 m	\$14.6 m	\$19.0 m
Building acquisitions	-	\$12.4 m	\$10.6 m	-	-
Selling staff	8,911	10,324	8,333	7,649	5,824
General cash	\$230.0 m	\$124.9 m	\$190.2 m	\$139.6 m	\$64.7
Client cash	\$398.6 m	\$332.4 m	\$303.1 m	\$165.9 m	\$174.0
Cash and cash equivalents	\$628.6 m	\$457.3 m	\$493.3 m	\$305.5 m	\$238.7 m
Available-for-sale investments & other financial assets	\$97.8 m	\$202.4 m	\$138.6 m	\$176.8 m	\$145.4 m
Cash and investments	\$726.4 m	\$659.7 m	\$631.9 m	\$482.3 m	\$384.1 m

[★] Abnormal relates to FLT's gain on the sale of its Brisbane head office property.

2010 first half – financial overview



COSTS



Cost discipline maintained after 2008/09 restructuring
Wages, rent and advertising major expense items – variable wage and ad costs

CAPITAL EXPENDITURE



Reduced 1H cap-ex after major investment in projects and shop refurbishments in recent years
Aiming to keep cap-ex in line with D&A moving forward

INTEREST INCOME



Strong profit growth achieved despite significant drop in interest income (\$12m)
Decrease reflects lower cash yields, shift to lower risk investments

CASH FLOW



Small 1H outflow, as expected, during peak travel season
Inflow expected during seasonally stronger 2H – peak booking season

BALANCE SHEET



Strengthened again after 2008/09 enhancements
General cash increased strongly and debt levels maintained

INVESTMENT PORTFOLIO



\$726.4m global investment portfolio at December 31, 2009, up 10%
Heavy cash weighting (97%) – no remaining equity exposure

2010 first half - operational overview



SHOP GROWTH



Moderate growth in shops and businesses compared to December 31 2008
Comparison impacted by US shop closures (Feb 09) and India deconsolidation (Mar 09)

LEISURE TRAVEL



Results generally good – healthy sales volumes globally
Australian results up significantly – consumer confidence rebounding

CORPORATE TRAVEL



Still affected by downgrading – new account wins partially offsetting effects
Specialist SME brand Corporate Traveller reintroduced to complement FCm

WHOLESALE TRAVEL



Strong performance
Global direct contracting model helping drive margin growth

OTHER BUSINESSES



Continued promising results from cycle and recruitment marketing JVs
Cycle business generated \$11.6m in revenue and \$400,000 in EBITDA during 1H

GEOGRAPHIC RESULTS



All established regions profitable, despite ongoing market challenges
Losses in USA and Asia-Middle East only

2010 review – Australia, UK



AUSTRALIA



- TTV \$3.0b, up 1%
- EBIT \$77.5million
- 1056 businesses – ongoing expansion opportunities
- Strong sales performance – ticket numbers well up on 2008/09, but yields still down (17% on average on international flights ex Australia during 1H)
- Increased leisure travel profits – inshore and online
- Lowest airfare guarantee introduced in Flight Centre brand
- Corporate travel results improving

UNITED KINGDOM



- TTV \$482m, down 16% in AUD (flat in local currency)
- EBIT \$6.9million
- 208 businesses
- Good result in depressed market (prior year EBIT included \$2.7m abnormal gain)
- Flight Centre and specialist Round-the-World experts businesses performing well
- Corporate clients slowly returning to pre-GFC trading levels – well placed for future uplift

2010 review – North America



USA

- TTV \$872m, down 24% in AUD (down 16% in local currency)
- EBIT (\$10.9m)
- 233 businesses
- TTV comparisons affected by 40 shop closures during 2H 2009
- Reduced losses, results in line with expectations in challenging market
- New Liberty revenue and shop-based incentive systems introduced August 1
- Projections difficult – economic uncertainty ahead of peak booking period

CANADA

- TTV \$320m, down 6% in AUD (up 2% in local currency)
- EBIT \$693,000
- 182 businesses
- Strong corporate travel results
- Encouraging recent leisure performance – continued improvement expected

2010 review – other geographies



COUNTRY	RESULTS	REVIEW
New Zealand	TTV: \$260.7m EBIT: \$1.5m Businesses: 154	TTV down 6% in AUD (down 3% in local currency) Increased profit from small base Continued retail expansion – 3 Cruiseabout shops open Corporate results improving, but down from historic highs
South Africa	TTV: \$201.2m EBIT: \$1.9m Businesses: 157	TTV down 2% in AUD (down 4% in local currency) Healthy ticket sales but at reduced yields Good enquiry levels in leisure business
Greater China	TTV: \$39.9m EBIT: (\$1.2m) Businesses: 23	TTV down 21% in AUD (down 12% in local currency) Recent corporate recovery – monthly TTV now up on PCP Flight Centre brand launched in Hong Kong and Shanghai Organisational redesign undertaken to remove costs
Dubai	TTV: \$10.3m EBIT: \$15,000 Businesses: 5	TTV up 63% in AUD (up 84% in local currency) Promising results from start-up corporate business
Singapore	TTV: \$5.8m EBIT: (\$207,000) Businesses: 2	TTV up 1976% in AUD (up 2500% in local currency) Start-up corporate business on track to breakeven by year end

2010 – outlook



SOLID FOUNDATIONS



Significant momentum after good 1H
Stronger sales force, brand diversification, leaner cost base and healthy balance sheet

GROWTH OPPORTUNITIES



Clear opportunities in corporate and wholesale travel, niche leisure areas
Flight Centre brand still growing in all markets

FLIGHT CENTRE



Focus on growing air sales in flagship global leisure brand
Lowest airfares guarantee reintroduced

AIRFARE PRICES



Yields gradually improving after unsustainable supplier discounting during 2H 2008-09
Modest growth in airfare prices expected as market recovery continues

IMPROVEMENT STRATEGIES



New business improvement strategies in place
Key areas of focus, in addition to normal “business as usual” strategies

2010 – strategic priorities



**INDIA, CANADA
& THE USA**



Improve the return on FLT's investment in these emerging countries

ONE BEST WAY



Ensure the company's "One Best Way" operating culture is in place in all brands and businesses

LEADERSHIP



Attract and retain more of the right leaders

SALES



Procure and retain customers across the business

PRODUCT



Further development of global land and air product buying and distribution systems

**NICHE
EXPANSION**



Selection and incubation of emerging bricks and mortar and online businesses

2010 – profit guidance



PROFIT TARGET



Targeting \$160m-\$180m pre-tax profit, assuming no major abnormal items arise
Targeted result represents 62%-82% growth on normalised 2008/09 result
Tax rate likely to be within normal range (30%-33%) over full year
No assets currently impaired
Monitoring US retail business's current and forecast performance

End of presentation



Questions