



## Hello World Travel Limited results announcement

Year ended 30 June 2017

### HIGHLIGHTS FOR THE YEAR ENDED 30 JUNE 2017

- Total Transaction Value (TTV) of \$5.9 billion
- Earnings before interest expense, tax, depreciation and amortisation (EBITDA) of \$55.2 million, an increase of \$29.9 million compared with prior year
- Profit before tax of \$31.0 million, an increase of \$27.6 million compared with prior year
- Basic earnings of 18.8 cents per share compared with 1.9 cents per share in the prior year
- Final dividend declared of 8.0 cents per share, bringing our total dividends declared for FY17 to 14.0 cents per share, compared with 2.0 cents per share in the prior year
- Strong, positive performance in the business continues with key achievements including:
  - EBITDA growth for all segments against prior year.
  - Implementation of \$18.6 million merger synergies and annual cost savings by 30 June 2017, outperforming previously identified \$17.1 million of annualised cost savings.
  - Significant growth in operating cash flow and a strengthened balance sheet.
  - Winner of the Best Travel Agency Group (Hello World Travel), Best Domestic Wholesaler (Sunlover Holidays) and Best International Wholesaler (Qantas Holidays and Viva Holidays) at the July 2017 AFTA National Travel Industry Awards (NTIA).
  - Re-brand of the retail network to Hello World Travel - The Travel Professionals with re-focus of marketing to enhance brand presence, member loyalty and corporate relationships.
  - Continue to strengthen and diversify the retail network, including acquisition of 50% of Mobile Travel Agents (MTA) in Australia and the addition of World Travellers Group (WTG) in New Zealand.
  - Focus on technology innovations and enhancements including relaunch of Hello World.com.au site and roll out of Resworld consultant portal.

### SUMMARY OF RESULTS

Hello World Travel Limited (ASX: HLO) today announced its results for the year ended 30 June 2017

	FY17 \$m's	FY16 \$m's	Change %
TTV	5,872.3	5,694.3	3.1%
Revenue	326.4	300.5	8.6%
EBITDA	55.2	25.3	118%
Profit before tax	31.0	3.5	800%
Profit after tax attributable to members	21.5	1.7	1,166%

  

	Cents per share	Cents per share	Change %
Basic earnings	18.8	1.9	889%
Diluted earnings	18.4	1.9	868%
Interim dividend	6.0	-	N/A
Final dividend	8.0	2.0	300%

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During FY17, the Group achieved a strong business performance, growing revenue and significantly reducing its cost base, while integrating the Helloworld Travel and AOT Group businesses. Helloworld Travel grew its TTV to \$5.9 billion, achieved solid revenue growth of 8.6% to \$326.4 million via TTV growth and margin improvement through the full year impact of the AOT businesses as well as better supplier and partner contracting with a focus on profitable growth. Helloworld Travel has restructured its operating costs across all segments to right size the cost base and have over-delivered on the previously identified merger synergies and cost reduction program.

Helloworld Travel has successfully implemented a significant business turnaround with a reported EBITDA of \$55.2 million, an increase of 118% or \$29.9 million from prior year. The net profit after tax attributable to members was \$21.5 million, an increase of 1,116% or \$19.8 million from prior year. As a result, our earnings per share was 18.8 cents, which enabled us to declare a final dividend of 8.0 cents per share to our shareholders, bringing our total dividends in FY17 to 14.0 cents per share, fully franked. In FY16, Helloworld Travel declared dividends of 2.0 cents per share, which was the first dividend payment since 2013.

From a segment perspective, the Australia, New Zealand and Rest of World segments have all pleasingly delivered EBITDA growth compared with prior year. Our results in Australia reflect strong improvement in margins, productivity and right sizing of the cost base. New Zealand has delivered strong revenue growth from its wholesale brands and larger retail member network and the Rest of World segment has benefited from its cost base restructure.

The retail network has increased to over 2,000 members across Australia and New Zealand, reflecting the stabilisation of our pre-existing network, the addition of MTA in Australia and WTG in New Zealand. We have strengthened the relationship with our member networks via investment in consumer marketing, advertising and sponsorships, and through our successful rebrand to Helloworld Travel – The Travel Professionals' with our new store look. Our recent rebrand was well received by members, gaining immediate traction with eight stores converting to fully branded Helloworld Travel outlets in July 2017.

The stronger relationship developed with the member network since the AOT merger has ensured Helloworld Travel is aligned with our franchise members to provide enhanced customer service experiences across the business. Helloworld Travel has implemented key technology initiatives to further align the bricks and mortar franchise network distribution with the on-line distribution platforms, creating an integrated travel solution. These developments include the re-launch of helloworld.com.au site in September 2016 and the launch of the Resworld agency portal in October 2016. The Group will continue to build on these and other technologies to provide the best experiences for customers, staff and consultants throughout the network to drive greater productivity and increased yield outcomes.

The continued integration of the Helloworld Travel and AOT business has resulted in improved economies of scale and productivity efficiencies for our wholesale and inbound brands. Helloworld Travel introduced a new online booking tool, 24/7 call centre service for customer care and booking queries, and an enhanced accommodation portal that provides a more comprehensive product range and easier booking process. These developments have ultimately increased our product offerings and customer service support.

In relation to corporate, QBT in Australia secured major new account wins in the Northern Territory Government and PwC during FY17. In August 2017, AOT Hotels successfully re-tendered for the Whole of Australia contract for accommodation program management, securing the contract for a period of 3 years with further extension options.

## Segment performance

### Australia segment

The Australia segment generated TTV of \$4,908.8 million in FY17, representing an increase of 3.4% compared with the prior year. Revenue increased by 8.7% or \$19.4 million to \$243.6 million mainly reflecting the full year inclusion of AOT business including Sunlover Holidays, AOT Inbound and AOT Hotels, partially offset by the exit of our previous unprofitable relationship with Orbitz involving our online channel. In addition, we have experienced lower airfare prices in the market, but our ticketing volumes have increased by 19%. Despite the full year inclusion of the AOT businesses, operating costs have decreased reflecting the implementation of the merger synergies and cost reduction program. As a result, EBITDA for the segment was \$50.3 million, representing growth of \$24.3 million or 93.4% compared with prior year.

The Australian segment delivered an excellent financial performance in FY17. Our industry standing and services have been recognised by Helloworld Travel winning the prestigious 'Best Travel Agency Group', 'Best Domestic Wholesaler' and 'Best International Wholesaler' categories at the 2017 AFTA NTIA awards. Positive growth and momentum continues in all our brands across the retail franchise, wholesale, inbound and corporate channels. We continue to work closely with our agents, franchise members, suppliers and customers providing key technology developments such as the relaunch of helloworld.com.au, launch of Resworld agent portal and enhanced online booking tools. Our rebrand and focus of advertising and marketing spend on unique product offerings, brand awareness and corporate growth has ensured the Australia segment is well positioned to further expand and grow.

### New Zealand segment

The New Zealand segment generated TTV of \$849.0 million in FY17, representing an increase of 3.4% compared with the prior year. Revenue increased by 15.0% or \$7.9 million to \$60.5 million mainly due to TTV growth and improved revenue margins from the wholesale brand, Go Holidays, which in turn can be attributed to the increase in sales coming from the conversion of businesses carrying the Helloworld brand. Operating costs increased by 7.1% reflecting the full year inclusion of the AOT Inbound New Zealand business and increased selling expenses for the new agent incentive model to strengthen member loyalty, partially offset by productivity and cost efficiencies. As a result, EBITDA for the segment was \$6.2 million, a significant increase on the prior year of \$1.9 million.

The New Zealand segment performed well, with a significant EBITDA turnaround compared with the prior year, despite facing similar market challenges to Australia of falling airfare prices and strong competition. Retail member numbers have grown to 300, an increase of 57 members, led by the addition of WTG and the expansion of the re-branded independent network, My Travel Group, providing solid TTV and transaction volume growth across the segment. Brand awareness has significantly increased and the wholesale business, Go Holidays, won the award for Best Wholesale brand in New Zealand for the third consecutive year at the September 2016 TAANZ NTIA.

## Rest of World segment

The Rest of World segment generated TTV of \$114.5 million in FY17, representing a decline of 8.9% compared with the prior year. Revenue decreased by 6.0% or \$1.4 million mainly reflecting the refocus of the distribution method used in the Insider Journey's business back to its traditional wholesale market and adverse foreign exchange translation movements, partially offset by the full year inclusion of the AOT businesses in Fiji. Operating costs decreased by 10.2% despite the full year inclusion of the AOT business as we have re-sized the cost base of our overseas operations. The EBITDA was a loss of \$1.4 million, whilst this is a trading loss, it is a significant improvement from prior year loss of \$2.6 million.

The current focus across the segment has been on its product offering and cost base restructure including group synergies and productivity efficiencies. Considerable progress was made in the realignment of business systems and refocused promotional and marketing activity. The Group will continue to drive improved performance in its Rest of World businesses.

## Liquidity and funding

Helloworld Travel has a strong balance sheet with positive net cash balances, healthy free cash flow generated in the current year and secured available headroom on its debt facilities of \$28.4 million. As at 30 June 2017, the Group has total cash on hand at 30 June 2017 of \$198.1 million consisting of client funds of \$163.3 million and general cash of \$34.7 million. As at 30 June 2017, the Group has external borrowings of \$20.4 million (2016: \$46.6 million).

In October 2016, Helloworld Travel successfully issued 7.0 million new shares at \$4.25 via a share placement to institutional investors. The funds raised after capital raising costs were used to fund our investment in MTA and repay long term debt.

In May 2017, Helloworld Travel successfully refinanced its secured debt facility with the Westpac Banking Corporation. The new \$60.0 million facility has a 5 year term and is due to expire in May 2022. As part of this new facility, the Group was able to reduce its long term debt. The refinancing of the core debt facility was successfully executed on attractive terms that will deliver cost savings to the business in FY18.

## Dividend

The Board has resolved that the company will pay a final dividend of 8.0 cents per share. The dividend is to be paid on 20 September 2017. This brings the total dividends declared, fully franked, for the current year to 14.0 cents per share compared with 2.0 cents per share in the prior year.

## OUTLOOK

Helloworld Travel will focus on growing revenue and margins and continually extracting efficiencies in its operations and right sizing the cost base of the Group. Helloworld Travel remains focused on delivering for shareholders, agents, partners and consumers with the objective to future proof its agents and the business through technology, training, product and profile supported by the omni-channel strategy.

The outlook for Helloworld Travel is positive. Business fundamentals are heading in the right direction in all our key segments with demand for our integrated service offering continuing to develop and grow.

Helloworld Travel expects to improve its current year performance in the year ended 30 June 2018 and is well positioned for sustainable long term growth. As a result, Helloworld Travel has provided earnings guidance for FY18 that its EBITDA will be in the range of \$63.0 million to \$67.0 million.

## About Helloworld Travel Limited

- Helloworld Travel Limited (ASX: HLO) is a leading Australian & New Zealand travel distribution company, comprising retail travel franchise operations, destination management services (inbound), air ticket consolidation, wholesale, corporate and online operations. This includes “*Helloworld Travel*”, Australia’s largest network of franchised travel agents, as well as our Corporate, Associate, Affiliate and Travel Broker networks, Qantas Holidays, Go Holidays in New Zealand, AOT Inbound, ATS Pacific, QBT, Sunlover Holidays and Insider Journeys
- “*Helloworld Travel*” is a nationwide network of independently owned and operated retail travel agencies offering Australia and New Zealand outstanding service, and the best value, tailor-made leisure and corporate travel experiences
- HLO has over 2000 staff located in Australia, New Zealand, Fiji, the USA, South East Asia, India and UK/Europe
- Helloworld Travel is the proud naming rights partner of Volleyball Australia and the *Helloworld Travel* Volleyroos men’s and women’s national teams
- Helloworld Travel is a major sponsor of Basketball Australia and the Australian Boomers
- Helloworld Travel is a major sponsor of the Carlton Football Club including “Carlton IN Business”

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