ASX ANNOUNCEMENT

Wotif.com Holdings Limited ABN 41 093 000 456
Monday 24 June 2013

Market Update and Completion of Strategic Review

MARKET UPDATE

Wotif.com Holdings Limited (**Wotif Group**) today provides an update to the market in relation to the FY13 financial performance following finalisation of management accounts for May 2013 and preliminary booking data for June to date. As part of this market update, the key year-on-year (**YOY**) financial comments and trends are as follows:

- Total Transaction Value[1] for the Group is expected to be relatively flat with increases in Australian / New Zealand accommodation offset by continuing shortfalls in Asia and Rest of World (**ROW**), trends which have continued from the first half results;

- Total Group revenues are estimated to be marginally up with strong revenue gains in Australian / New Zealand accommodation partially offset by shortfalls in Asia and ROW which collectively are estimated to be down by $2.3 million YOY. In addition, interest and other income are estimated to be down $0.9 million YOY.

- Total Group expenses are estimated to increase by $5 million YOY. Incremental investment in marketing and information technology account for around 40% of this increase. The remaining YOY expense increase relates to foreign exchange expenses ($1.2m) and the comparable effect of the write-back of options expenses ($1.3m) in the second half of 2012.

- One-off adjustments for asset write-downs to be booked in June 2013 total $2.50 million. These write-downs include the value of selected Asia Web Direct (**AWD**) domain names ($1.74m) and an accelerated write-off of IT Development Costs ($0.76m).

- The write-down in the value of the AWD domain names relates solely to the assigned values of the lower-ranked domain names on the purchase of AWD in 2008. Due to algorithmic changes on Google, the traffic from those lower-ranked domains has declined dramatically and these links to the Group's booking sites now also have a negative impact on overall Search Engine Optimisation rankings. As a result, the value of these domains has been written down to zero. Traffic from other "key" domains included in the AWD purchase continues to increase YOY and these increases also provide an opportunity to monetise traffic in the future.

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[1] Total Transaction Value (TTV) represents the price at which accommodation, flights, package and other travel-related services have been sold excluding all travel taxes and GST across the Group's operations. TTV does not represent revenue in accordance with Australian Accounting Standards.

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- The write-off for IT Development Costs relates to costs previously capitalised and/or work in progress in prior periods now written off in an accelerated manner.

The CEO of Wotif Group, Scott Blume, made the following comments:

> "*Our core Australian / New Zealand accommodation business has maintained some momentum with an expected small topline TTV growth despite a lacklustre domestic retail environment. We are also seeing some encouraging growth in our flights business. Our incremental investment in marketing in the last quarter, together with some solid merchandising of deals, has stimulated retail demand in the same period. In addition, previously announced hotel commission increases to 11% in 2013 have been successfully rolled out to the significant majority of our partners throughout the second half of the fiscal year.*
>
> *These positive factors have been eroded by a continuation of the year-on-year revenue shortfalls in Asia and ROW. Our focus on the Asia and content strategies outlined below are targeting initiatives to get this business growing again.*"

PROFIT GUIDANCE

Taking all of the foregoing into account, Wotif Group expects its profit after tax for FY13 to be between $50.5 million and $51.5 million ($58.0 million for the prior year). This result includes significant "one-off" adjustments for asset write-downs detailed above. The underlying profit after tax excluding these adjustments is expected to be between $53.0 million and $54.0 million. This expectation is based upon unaudited management accounts at 31 May 2013 and takes into account indicative trading performance for June 2013. This guidance is subject to change on completion and audit of the Wotif Group final accounts.

STRATEGIC REVIEW

The Board has also endorsed the Strategic Review completed by the new CEO. The initiatives arising from this review are being progressively implemented into the business, and focus on five key areas:

- **Monetisation of traffic from Group websites**
  Traffic to the key websites in the Group continues to rise YOY and a number of plans are being developed to maximise the resultant revenue opportunity. These plans include investment into a new EDM platform, improved data management and business intelligence, and cross-sell across existing lines of business. In addition we will continue to explore and expand potential new lines of business including dynamic packaging which has recently successfully soft-launched with "Lion King" packages. We have also commenced a project to examine opportunities to build out more media sales opportunities on the Group websites.

- **Content**
  We have commenced work to significantly improve our overseas hotel content, including key Asian and ROW destinations. This program includes expanding direct hotel contracts and potentially working with additional third party content suppliers.

- **Marketing**
  Whilst many of the new marketing initiatives are competitively sensitive, we have embarked on a refresh of our overall Group marketing strategy across Australia, New Zealand and Asia. This strategy is currently under development and includes the use of outside resources to work with our internal teams to look at our overall customer engagement and where marketing dollars are spent, across all marketing categories and all lines of business. Upon completion of this work total Group marketing costs are likely to increase but the quantum of that increase is yet to be determined.

- **Asia**
  A project to improve sales of Asian hotels across the Group is under way. A number of key initiatives have been developed to improve sales and conversion of Asian property searches on Australian and New Zealand websites. It is also anticipated that dynamic packaging for short-haul international locations including Asia will be rolled out in the second half of FY14. Planning is under way to stimulate traffic and revenue growth to the two key AWD transactional sites in Thailand.

- **Technology**
  Key projects have commenced to expedite internal development of new website functionality and speed to market. In addition, a project is under way to review our Group-wide mobile sites, apps and development to ensure that we are well placed to meet the increased customer demand for searches from all mobile devices.

Blume continued:

> "*We are confident that this new strategy and work already under way will well position the company for future growth.*"

To coincide with this Strategic Review, two senior executives have recently joined the leadership team of the Group.

David Barnes has joined the Group in the newly-created role of Chief Commercial Officer, reporting to the Group CEO. David will run the Australian / New Zealand hotel and corporate businesses in addition to having responsibilities for ROW and Group planning and analysis. David comes to the business with extensive commercial experience in Australia, the US and Europe, including roles as GM Corporate Operations of ASX-listed software company Objective Corporation and COO of SAP in Europe.

Olivier Dombey joins the Group as the new Executive General Manager for Asia, based in Bangkok. Olivier has deep ecommerce experience in Asia, with online travel leadership roles in Thailand and China over the past decade. Most recently he was Chief Information Officer of HotelTravel based in Thailand.

Both of these roles add considerable depth to the leadership team.

Scott Blume
Chief Executive Officer

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