ASX Announcement

19 February 2020

Corporate Travel Management (CTM, ASX: CTD) maintained steady operating momentum in 1H20, activates initiatives to mitigate Covid-19 impacts on full year profit.

- 1H20 total transaction value (TTV) increased by 12% to $3.31 billion as all regions (excl.-North America) delivered solid underlying earnings despite significant global headwinds

- Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) were flat with the corresponding period at $64.5 million

- Underlying net profit after tax (NPAT) attributable to owners of CTM declined 8% to $39.0 million, primarily due to software amortisation, and a higher effective tax rate due to the geographical mix of profits. Statutory NPAT declined 14% to $35.1 million attributable to non-recurring costs. Statutory NPAT includes a $1.0 million impact from AASB 16 *Leases*

- Pre-Coronavirus (Covid-19), CTM was tracking toward lower end of full year guidance of between $165 million and $175 million issued last August

- CTM now expects the Covid-19 impact to underlying EBITDA guidance to be $15-$40 million, with underlying FY20 EBITDA guidance reduced to $125-$150 million or flat to 16.6% down on the p.c.p.

- Management is closely monitoring the impact of Covid-19 and mitigation plans are in place to minimise the impact to the 2H20 financial performance

- Focus on operational excellence and customer wins expected to deliver return to growth in FY21

Managing Director Jamie Pherous said "We maintained steady operating momentum in 1H20 despite the macro-economic impacts from Brexit, demonstrations in Hong Kong and the US/China trade war.

These one-off events have masked an otherwise solid business performance where we have been winning customers, managing costs and growing market share.

While we were on track to deliver against our previous guidance, unprecedented disruption from Covid-19 travel bans will now impact FY20 profit performance."

Corporate Travel Management Limited ABN: 17 131 207 611
Level 24, 307 Queen Street, Brisbane, QLD 4000 GPO Box 2584, Brisbane, QLD 4001
Telephone: +61 7 3211 2400 Fax: +61 7 3236 1930 Free call: 1800 663 622
info@travelctm.com www.travelctm.com

Reported operating cash flow conversion rate of 27% reflects the timing of fixed supplier payment cycles versus the 2H19 reporting period.

CTM expects strong reported operating cash flow conversion in 2H20 due to favourable timing differences and conversion to continue to be in line with the company long term average of near 100%.

1H20 regional performance

CTM provides detailed region-by-region analysis in its investor presentation released to the ASX along with this announcement today.

	CTM Consolidated			Australia & New Zealand			North America			Asia			Europe			Group		
	Dec-19	Dec-18		Dec-19	Dec-18		Dec-19	Dec-18		Dec-19	Dec-18		Dec-19	Dec-18		Dec-19	Dec-18	
REPORTED (AUD)	$m	$m		$m	$m		$m	$m		$m	$m		$m	$m		$m	$m	
TTV	**3,310.2**	**2,951.5**	12%	686.5	649.6	6%	758.5	689.9	10%	1,299.8	1,070.5	21%	565.4	541.5	4%	--	--	
Revenue	**222.2**	**210.2**	6%	61.7	58.3	6%	69.8	70.2	(1%)	43.0	38.3	12%	47.7	43.3	10%	0.0	0.1	0%
Adj. EBITDA	**64.5**	**64.6**	0%	24.4	22.3	9%	14.4	17.9	(20%)	13.2	12.5	6%	19.4	16.8	15%	(6.9)	(4.9)	41%
EBITDA/revenue margin	**29.0%**	**30.7%**																

Asian and European regional results are very pleasing given the significant impact of macro events specific to these regions in the first half. ANZ also continued its strong run of outperformance to market. As flagged at the AGM, North America was expected to deliver a less favourable performance for the half due to carrying higher than normal costs relating to completion of technology projects and costs associated with moving clients to an on-line environment. The lower than anticipated result for that region was driven by some delayed on-boarding of new clients. New client wins and client on-boarding activity are now at expected levels. The addition of new key management is driving plans to lower costs by $US2 million (excl. Corporate Travel Planners acquisition) which will allow CTM North America to take strong momentum into FY21.

Group costs

As noted at the 2019 Annual General Meeting, expansion of some Board and Group functions was needed to support enhanced governance initiatives. These included additional roles relating to board renewal and strengthened management oversight for finance and legal counsel. Group costs increased $2 million for the half and we expect full year corporate costs to be approximately $14 million. These costs will remain at this level into FY21.

Dividends

The Board declared an 18c dividend for the half, maintaining the level from the prior period. The dividend, franked by 50%, will be payable on 14th April 2020.

Impact of adopting AASB 16 on financial statements

CTM adopted the AASB16 *Leases* standard for FY20. When applying AASB 16, the net effect was to increase underlying EBITDA by $4.0 million to $68.4 million and decrease underlying NPAT attributable to owners of CTM by $0.8 million to $38.2 million. CTM provides a detailed reconciliation in the investor presentation released to the ASX with this announcement today.

Non-recurring costs

During the period, the Group had non-recurring costs of $3.7 million ($2.8 million tax-effected), with the largest item being a one-off $3.1 million provision for a legal settlement in California, USA. For more information, please refer to slide 15 in the investor presentation released to the ASX along with this announcement today.

Full year guidance

CTM has previously advised full year guidance of underlying EBITDA to be between $165 million and $175 million[1]. Until the very recent Covid-19 induced travel restrictions, CTM had been on track to deliver to the lower end of the guidance provided, implying an approximate 2H20 underlying EBITDA of $100 million, or 17% growth on the p.c.p.. The guidance was based on reduced impacts in 2H20 from Brexit, the Hong Kong demonstrations and the US/China trade tensions.

After detailed analysis, we have assumed an underlying EBITDA impact from Covid-19 of between $15 million and $40 million for FY20. We have revised down FY20 underlying EBITDA guidance to between $125 million and $150 million[1] which would give a flat performance at the higher end, or a negative 16.5% result at the lower end of the range when compared to p.c.p.

Given the Covid-19 pandemic will have an impact on 2H20 results, CTM has provided the rationale for how the unfolding disruption may impact full year profit expectations as per below.

Formulating impact assumptions

In assessing the impact of Covid-19 on 2H20, we have analysed CTM's previous experience with pandemics[2] as a basis to estimate the potential impact of Covid-19 to earnings.

The impact will be a function of ***duration*** and ***severity*** (reluctance/inability to travel). It is important to note that this assessment is based on what we know to date. CTM will continue to monitor the situation closely.

Duration assumptions:

- History suggests the average duration of pandemics has been 4-6 months. We have assumed the impact will be through all of 2H20
- History suggests the peak impact period lasts 1-2 months. We have assumed a peak impact period for two months through February and March
- Once the peak impact period subsides, corporate activity historically rebounds quickly, and we have assumed activity gradually returns to normal levels by July 2020

The key difference with Covid-19 from previous pandemics has been the actions of governments to effectively close borders and suspend travel to and from China. It is difficult to assess with certainty what this may do to severity.

[1] Excluding the impact of AASB 16 *Leases* and non-recurring costs
[2] Pandemics from 2003: SARS, H1N1 Swine Flu, H5N1 Avian Bird flu, MERS, Ebola, Zika

Severity assumptions:

Asia region:

- Approximately 1/3 of transactions relate to flights to and from China
- January experienced only a minor impact on activity
- February to date has seen post-Chinese New Year client activity down 50% mainly driven by border closures and travel bans
- Significant cost management measures are underway to mitigate lower client activity

ROW (Rest of World):

- <2% of ROW transactions relate to flights to/from China, <4% to/from all of Asia
- CTM regions have a very high domestic component to transactional activity, with ANZ and Europe having approximately 90% and the USA approximately 70% of all transactions being domestic or in-region in nature
- Europe and USA – minimal impact to date
- ANZ February to date, experiencing an activity decline, which we expect is primarily related to Covid-19
- Costs are being closely monitored in all regions, should there be signs of activity deterioration

Assumptions to the guidance range

- Higher end of guidance – assumes peak duration and or activity recovery time is less than our assumptions above
- Lower end of guidance – assumes current client activity being experienced does not recover throughout the entire half, and there is a more significant impact to ROW than currently experienced.

"Despite the challenges from Covid-19 on our business, we are not standing still," Mr Pherous said.

"In Asia, we have actioned several plans to manage costs against reduced corporate travel activity. These include reducing staff work weeks to 4 days, bringing forward leave, freezing non-essential expenses and delaying non-client facing project work".

Beyond FY20

- The underlying business continues to perform well, with continuation of market share gains and growth underpinned by ongoing client take-up of CTM technology, which is now successfully rolled out in all CTM regions
- CTM expects to cycle off the current challenges into better conditions in FY21. Client activity should rebuild as we experience reduced pressures from external events such as Brexit, Hong Kong demonstrations, US/China trade war and Covid-19
- Operating cash flow and balance sheet remain strong, providing capacity for on-going M&A

Authorised for release by the Board.

--- ENDS ---

Contact details

Media enquiries: contact Tracy Lee, GRACosway, tlee@gracosway.com.au / +61 414 887 129

Investor enquiries: contact Allison Dodd, allison.dodd@travelctm.com / +61 7 3210 3354