



24 February 2020

The Manager
Markets Announcement Office
ASX Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam,

Helloworld Travel Limited Results Announcement for the half year ended 31 December 2019

Further to the Company's announcement to the market today on the financial results for the half year ended 31 December 2019, please find attached the Results Announcement.

David Hall

Chief Financial Officer
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HELLOWORLD TRAVEL LIMITED RESULTS ANNOUNCEMENT



HALF YEAR ENDED 31 DECEMBER 2019



Half year highlights

- Record Total Transaction Value (TTV) up 12.9% to \$3.6 billion and revenue up 9.8% to \$200.0 million led by business expansion.
- Underlying earnings before interest expense, tax, depreciation and amortisation (Underlying EBITDA) of \$48.0 million, an increase of \$6.2 million (14.8%) compared with the prior corresponding period.
- Underlying EBITDA margin of 24.0% up from prior corresponding period of 23.0%.
- Profit before tax of \$32.9 million, an increase of 4.9% compared to the prior half year.
- Fully franked interim dividend declared of 9.0 cents per share.
- Key achievements in FY20 to date include:
 - Acquisition of the TravelEdge Group expanding and complementing our existing corporate travel management operations;
 - Corporate travel division on track to achieve \$1.6 billion TTV;
 - Successful integration of prior year acquisitions Show Group and Williment Travel;
 - The retail network has increased by 49 members since 30 June 2019, including 9 new HelloWorld Travel branded stores;
 - Driving greater brand awareness for our members by maintaining a strong level of consumer marketing and sponsorship; and
 - Continued investment in technology solutions and products in all business operations highlighted by the launch of the ResWorld agency platform.

Summary of results

	31-Dec-19 \$m's	31-Dec-18 \$m's	Change ⁽¹⁾ %
TTV ⁽²⁾	3,559.9	3,152.9	12.9%
Revenue	200.0	182.2	9.8%
Underlying EBITDA ⁽³⁾	48.0	41.8	14.8%
Profit before income tax	32.9	31.3	4.9%
Profit after income tax	22.7	21.8	4.1%
	Cents per Share	Cents per Share	Change %
Basic earnings per share	18.2	18.1	0.6%
Diluted earnings per share	18.2	18.0	1.1%
Prior year final dividend paid in current period	12.5	11.0	13.6%
Interim dividend	9.0	8.0	12.5%



- (1) Dollar and percentage movements have been calculated using the financial statements which are rounded to thousands.
- (2) Total Transaction Value (TTV) does not represent revenue in accordance with Australian Accounting Standards. TTV represents the price at which travel products and services have been sold across the Group, as agents for various airlines and other service providers, plus revenue from other sources. The Group's revenue is, therefore, derived from TTV. TTV does not represent the Group cash inflows as some transactions are settled directly between the customer and the supplier.
- (3) Underlying EBITDA – represents earnings before interest expense, tax, depreciation and amortisation, adjusted to:
- include depreciation on right of use assets and interest expense on lease liabilities arising from the application of the new lease accounting standard; and
 - exclude large non-recurring items. In the current half year, this reflects business acquisition related expenses and discretionary amounts paid to the Group's retail agents impacted by the collapse of Tempo Holidays and Bentours.
- A reconciliation of Underlying EBITDA to profit before income tax expense is provided in note 5 to the Consolidated Interim Financial Statements.

Helloworld Travel Limited CEO and Managing Director, Andrew Burnes said: "During the current half year, Helloworld Travel benefited from business expansion and greater operational efficiencies to again deliver growth in TTV, revenue, underlying EBITDA and net profit after tax compared with the prior corresponding period. The business continues to expand both organically and through business acquisitions, including TravelEdge, Show Group and Williment Travel, while increasing both the scale and efficiencies in our existing businesses with strong investment in marketing initiatives and enhanced technology solutions."

Results overview

- TTV grew by 12.9% to \$3,559.9 million and revenue grew by 9.8% to \$200.0 million driven primarily by continued business expansion highlighted by growth across the Australian and New Zealand retail and corporate travel divisions, in addition to the inclusion of prior year acquisitions of Show Group and Williment Travel and the current year acquisition TravelEdge.
- Revenue margin of 5.6% was 0.2 ppt below the prior half year, impacted by the change in business mix with TTV growth coming from lower margin retail businesses.
- Operating costs increased compared with the prior corresponding period due to the inclusion of the fixed operating cost base of the business acquisitions and higher variable selling expense costs associated with growth in the retail agent network TTV in New Zealand. Excluding business acquisitions and disposals, underlying costs increased by \$1.6 million or 1.2% for the period.
- Underlying EBITDA, which excludes current year one-off business acquisition expenses of \$1.2 million and discretionary payments made to support agents impacted by the collapse of Tempo Holidays and Bentours of \$0.6 million, was \$48.0 million, up 14.8% or \$6.2 million on the prior half year and at an underlying EBITDA to revenue margin of 24.0% compared with 23.0% last half year.

Helloworld Travel Limited CFO, David Hall said: "Helloworld Travel has delivered a strong profit result and maintains a healthy balance sheet position that supports future expansion and agent network growth, while providing positive outcomes for all our stakeholders. This includes our fully franked 9.0 cents per share interim dividend and providing shares in Helloworld Travel to over 670 employees under our Employee Share Plan."

Segment overview

The Australian segment generated TTV of \$3,020.1 million (+10.8%) and revenue of \$162.5 million (+11.7%) driven by the acquisitions of Show Group and TravelEdge, strong growth in our Flight Systems business and growth from new and existing corporate customers at QBT. Underlying EBITDA for the Australian segment was \$42.3 million, an increase of \$5.3 million or 14.4% compared with the prior corresponding period.

The New Zealand segment generated TTV of \$512.8 million (+33.1%), driven by the expanded retail member network. Revenue increased by 14.2% to \$32.3 million due mainly to increased retail sales volumes. Underlying EBITDA grew to \$6.0 million, an increase of 15.5% compared with the prior half year.



The Rest of World segment generated TTV and revenue below the prior year primarily reflecting the sales of the Insider Journeys business on 30 June 2019 and challenging market conditions of the USA business. Despite the declines in TTV and revenue, the segment generated an underlying EBITDA loss of \$0.3 million, which was flat with the prior corresponding period.

Business operations overview

- During the half year Helloworld Travel completed the acquisition of the TravelEdge Group, one of Australia's largest privately-owned corporate travel management companies, expanding Helloworld Travel's corporate travel division to now be the second largest corporate travel business in Australia and New Zealand, with an annualised TTV of over \$1.6 billion from our QBT, APX, Show Travel and TravelEdge operations.
- Helloworld Travel launched the ResWorld mid-office solution for retail agents. The agency platform is now live in 48 agencies, with a total of 100 to be rolled out by 30 June 2020 and a further 87 committed to the system. We expect over 300 agencies to be using the system by 31 December 2021.
- Subsequent to the end of 1H20, Helloworld purchased the software platform from the administrators of Excite Holidays and will roll this new technology out under the Ready Rooms brand within the wholesale division in Q420.

Liquidity and funding

As at 31 December 2019, the Group held a total cash balance of \$142.0 million (30 June 2019: \$204.8 million). The decreased cash balance at December reflects the seasonality of monies held by the Group for travellers or customers prior to travelling and timing of the Group's payment cycle under IATA regulations.

As at 31 December 2019, the Group held external borrowings of \$90.4 million (30 June 2019: \$56.4 million) with available headroom on its debt facilities of \$15.9 million (30 June 2019: \$21.0 million). The external borrowings increased by \$34.0 million to fund the acquisition of TravelEdge, support product initiatives and maintain seasonal working capital requirements.

Dividend

During the current half year, the final fully franked dividend of 12.5 cents per share was paid, an increase of 13.6% compared with the prior corresponding period.

The Board declared an interim dividend of 9.0 cents per share, fully franked, for the half year ended 31 December 2019, with payment date of 19 March 2020. This is an increase of 12.5% on the previous interim dividend.

Outlook

In the second half of FY20, Helloworld Travel expects our retail leisure, wholesale leisure and corporate businesses will be impacted by COVID-19, with minimal growth, if any, compared to 2H19. Based on current trends and as a result of the bushfire crisis over summer and COVID-19 we expect a negative impact on;

- cruise sales;
- our inbound businesses; and
- air ticket sales to and via Asia particularly China, Hong Kong and to a lesser extent Singapore.

We note that Helloworld's inbound business is 3.0% of total TTV and that our China inbound business is 3.0% of our total inbound business.

We anticipate the net outcome to the business will be minimal TTV growth on a like for like basis for the remainder of FY20, with a further trading update to be provided in April.

On the basis of cost reduction strategies already being implemented and assuming there is no further material change in trading conditions over the remainder of the financial year, the company expects to deliver underlying EBITDA at the bottom end of the earnings guidance previously provided (being a range of \$86.0 million to \$90.0 million).

This announcement has been authorised by the Board of Directors.



About Helloworld Travel Limited

- Helloworld Travel Limited (ASX: HLO) is a leading Australian and New Zealand travel distribution company, comprising retail travel networks, corporate travel management services, destination management services (inbound), air ticket consolidation, wholesale travel services, and online operations.
- HLO has over 2,200 staff located in Australia, New Zealand, Fiji, the USA, Asia, India and UK/Europe and at 31 December 2019 had 2,496 members of its travel agency networks in Australia and New Zealand.
- Helloworld Travel is the proud naming rights partner of Volleyball Australia and the *Helloworld Travel Volleystars* men's and women's national teams.

Helloworld Travel has supported recent bushfire appeals by:

- Donating over 2,000 large bales of hay and 575,000 litres of water to farmers;
- Partnering with News Corporation and their bushfire appeal;
- Partnering with our suppliers and with Tourism Australia and the state tourism bodies to promote the regions impacted by the fires and domestic tourism more broadly; and
- Raising over \$66,000 for the Red Cross bushfire appeal from Helloworld Travel personnel with all donations matched dollar for dollar by Helloworld Travel.

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