STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE – February 27, 2020

FLIGHT CENTRE TRAVEL GROUP RELEASES FIRST HALF ACCOUNTS

Key Points

Record First Half (1H) Total Transaction Value (TTV) of $12.4billion:

- Surpassed prior year milestone by 11.2% - strongest 1H growth rate since FY16
- Record TTV in all geographic segments & in both leisure & corporate sectors despite challenging trading cycle – market-share growth

$102.7million underlying profit before tax (PBT), $38.8million statutory PBT:

- Underlying result in line with guidance, but below $140.4million underlying PBT achieved in superior trading conditions during FY19 1H
- Lower statutory PBT after $63.9million in accounting adjustments/non-recurring charges

Continued out-performance in global corporate travel sector:

- 17% TTV growth, with record pipeline of account wins (including five-year $US1billion contract)
- Further strong growth in Americas – TTV up 24% & now FLT's largest corporate business

Emerging/lower cost channels fuelling 6.5% leisure TTV growth:

- Leisure e-commerce TTV up 46.5% to $880million during 1H

Coronavirus (Covid-19) impacting 2H results:

- Inbound & outbound travel shutdown initially affecting FLT's Greater China corporate businesses
- Corporate clients globally also amending travel policies to prevent travel to China & other locations in short-term – impacting FLT's corporate businesses throughout the world
- Leisure demand softening as some customers review/reconsider future travel plans

FY20 guidance amended in light of evolving Covid-19 situation:

- Currently expecting significant 2H earnings impact, but with possibility of rapid FY21 rebound (based on SARS experience)
- Now targeting $240million-$300million underlying FY20 PBT (previously $310million-$350million), but virus means outlook remains uncertain

FY20 1H RESULT OVERVIEW

THE Flight Centre Travel Group (FLT) has delivered an underlying PBT in line with its FY20 1H market guidance.

The $102.7million underlying result was achieved off the back of record global sales, with TTV for the six months to December 31, 2019 reaching $12.4billion and surpassing the record FY19 1H result by $1.2billion.

At 11.2%, the 1H TTV growth rate was FLT's strongest for the period since FY16, as the company delivered record TTV:

- Across all geographic segments – Australia/New Zealand, the Americas, Europe, Middle East and Africa (EMEA) and Asia
- In all countries (in Australian dollars), with the exception of Greater China; and
- In both the leisure and corporate travel sectors

Underlying PBT was slightly above the mid-point of 1H guidance (underlying result between $90million and $110million), but below the $140.4million result achieved in superior trading conditions during the FY19 1H.

Statutory 1H PBT was lower at $38.8million (FY19 1H: $127.4million), after a series of non-recurring expenses and non-cash adjustments – totalling $63.9million – that have been outlined previously and listed in Footnote 1 to this announcement.

Various world events that affected global travel patterns and contributed to the high profile collapses of Thomas Cook, Cox & Kings and several smaller operators adversely impacted FLT's results for the period. These events included Brexit, US-China trade wars, unrest in Hong Kong, a safety-related downturn in travel to the Dominican Republic (a key market for the United States (US) leisure business) and a subdued Australian consumer environment.

FLT's profit for the period was also affected by:

- Under-performance in some businesses and brands, predominantly within the leisure and in-destination sectors
- Cost growth, which was inflated by timing factors, acquisitions, one-off expenses and foreign exchange movements. On a normalised and constant currency basis, costs increased about 4.7%; and
- Lower revenue margin, resulting from ongoing business mix changes linked to the rapid recent growth in lower margin businesses, which more than offset further underlying cost margin improvement

These lower revenue margin businesses again included:

- The foreign exchange businesses in Australia, New Zealand and India, which together generated almost $1.4billion in TTV (about 11% of group TTV); and
- The online leisure businesses, which underlined FLT's e-commerce credentials by delivering 46.5% TTV growth to $880million (about 7% of group TTV)

FLT managing director Graham Turner said: "In a reasonably challenging trading climate globally, we were able to deliver record sales at accelerated growth rates.

"Unfortunately, we were unable to fully benefit from this accelerated leisure and corporate TTV growth, with our underlying profit of $102.7million being below the prior year result.

"Within our business, we have continued to proactively address internal factors that have impacted profit growth recently and have also initiated strategies to deliver further market-share growth and greater efficiency in the future in both the corporate and leisure sectors.

"Given the TTV growth that we have consistently delivered, we should be well-placed to benefit when these strategies gain traction and when the trading cycle stabilises.

"In the $US1.5 trillion global corporate sector, we have strong momentum and strong future prospects, given our rapid growth and relatively small share of extremely large markets like Asia, Europe and the Americas, which has become our largest corporate business globally.

"Within this sector globally, we have developed a compelling customer proposition based on:

- An unique two-brand approach – FLT is the only large travel management company (TMC) with two specialist brands with different models and offerings tailored to large market and SME customers
- A winning blend of market leading technology and people
- Strong global reach, which means we are one of the few TMCs capable of winning and managing large, enterprise, global accounts; and
- Our full content suite, which is geared towards delivering the widest choice of air and land content to customers

"We have also consistently delivered record leisure sales, but recent growth has largely been driven by businesses that have not yet achieved the scale required to materially impact group earnings.

"To capitalise on this opportunity, we are implementing strategies to:

- Fast-track the growth of these emerging businesses, which include e-commerce, home-based agency and ready-made package brands; and

- Improve the established Flight Centre network's performance."

1H RESULT DRIVERS & OPERATIONAL HIGHLIGHTS

FLT's 1H TTV growth was underpinned by:

- 34% growth in Asia
- 20% growth in EMEA, including a strong contribution from the acquired FCM France and Switzerland business
- 15% growth in the Americas; and
- 6% growth in Australia/New Zealand, where FLT has high market penetration

Within the Asia segment, the emerging India business delivered 51% TTV growth and overtook Canada to become FLT's fourth largest country (by TTV) behind Australia, the US and United Kingdom (UK).

Globally, the company's corporate travel businesses again out-performed the market and delivered 17% 1H TTV growth to $4.9billion, about 40% of group TTV and leaving them on track to top $10billion during FY20. Together, FLT's corporate businesses have now achieved a 16.1% compound annual growth rate (CAGR) in TTV over the past decade, making the combined business four-and-a-half times larger than it was during the FY10 1H.

FY20 1H growth was driven by strong client retention and record account wins, with the business securing new contracts valued at $US940million (annualised spend) through to the end of January, including an enterprise-level account with a total contract value exceeding $US1billion.

The North Americas corporate business continued its strong trajectory, delivering 24% TTV growth during the 1H to $1.66billion.

The company has also developed a solid growth platform in Europe, a corporate travel region that is almost as large as the Americas, with the UK and Europe-based corporate businesses together generating $1billion in TTV for the first time.

Within the leisure sector, FLT achieved 6.5% TTV growth globally to $6.7billion

In Australia, leisure TTV increased 8.4%, despite a marked slowdown in outbound travel which saw 1H short-term resident departures increase by just 1.6% (Source: Australian Bureau of Statistics) – the slowest growth rate since the Global Financial Crisis (GFC).

Flight Centre brand sales were flat, with overall leisure TTV growth in Australia predominantly fuelled by emerging and lower cost channels and businesses that FLT has invested in during recent years.

Leisure highlights globally included the 46.5% e-commerce growth, which was driven by:

- The Jetmax online travel agency (OTA) brands, BYOjet and Aunt Betty, which together delivered 59% TTV growth
- flightcentre.com.au, which recorded 54% TTV growth; and
- StudentUniverse, which delivered 19% TTV growth across the US, UK and Australia

In total, e-commerce sales represented about 13% of leisure TTV during the period.

Profit

While FLT's overall profit result was below the prior year, several countries and regions achieved new profit records, including South Africa, Singapore, the United Arab Emirates and the overall EMEA segment.

Underlying PBT in EMEA increased 17%, despite Brexit's impacts on the large UK operation, with growth driven by the South Africa, UAE and acquired France-Switzerland businesses.

Although 1H profits decreased year-on-year within FLT's other geographic segments, all countries were profitable on an earnings before interest and tax (EBIT) basis and several key businesses continued their strong trajectories.

The North American corporate business, which has become a material contributor to group earnings, delivered another record profit.

Corporate profit growth across the region was, however, more than offset by softer leisure results, which meant that the overall North America business did not surpass the record $32.6million underlying PBT it delivered during the prior corresponding period (PCP).

The $24million FY20 1H result was comfortably the company's second best 1H profit and was almost triple the $8million FY18 1H result.

As announced previously, a safety-related downturn in travel to the Dominican Republic cost the US leisure business in the order of $US5million during the 1H.

In the Australian leisure business, in-store margin (gross margin) has recovered in Flight Centre brand, but back-end margin (over-rides) has been adversely affected given that 1H TTV has been relatively flat, leading to lower revenue. Costs increased modestly within this lower revenue environment, which meant that 1H profit was below the PCP.

Interim Dividend

FLT's PBT translated to an underlying $81.5million net profit after tax (NPAT) and a $22.1million statutory NPAT.

In light of these results, the company's directors today declared a 40 cents per share fully franked interim dividend payable on April 17, 2020 to shareholders registered on March 27, 2020. The $40.4million dividend payment represented a 50% return of underlying NPAT to shareholders.

This followed the record $310million return to shareholders via the FY19 dividends (including a $1.49 per share special dividend) and the $170million return related to FY18 – delivering a total fully franked return to shareholders in the order of $520million during the past two-and-a-half years.

COVID-19

FLT continues to monitor Covid-19's impacts on its corporate and leisure businesses and its potential impacts on travel patterns across both sectors in the upcoming months, which are traditionally the year's peak booking periods.

As outlined in its February 7 update, the Greater China and Singapore corporate businesses – which together generated about 2.5% of group TTV during the FY20 1H – have been significantly impacted by the Chinese inbound and outbound travel shutdowns, which have been key elements in the containment efforts to date.

FLT's corporate businesses elsewhere in the world have also been significantly impacted, particularly during the past three weeks, with companies globally typically amending travel policies to prevent employees from travelling to China and, in some cases, other major business travel hubs in the short-term.

Leisure travel patterns have also been increasingly affected recently, with some customers reviewing or reconsidering short-term holiday plans and monitoring the virus's possible spread to locations outside China and Asia in the future.

It is impossible to predict the virus's impact at this time, but FLT expects it will lead to subdued activity through to the end of FY20. This is based on the company's previous experiences, particularly in relation to SARS.

The SARS outbreak, which coincided with unrest in the Middle East following the US's invasion of Iraq in March 2003, led to a four-five month international travel downturn. This temporary downturn was followed by strong outbound travel growth, particularly in Australia, during the fourth quarter of the 2003 calendar year and throughout 2004.

FY20 GUIDANCE

Although FLT has achieved record TTV and an underlying PBT within its targeted 1H range, achieving its FY20 guidance of an underlying PBT between $310million and $350million has become more difficult as a result of Covid-19's emergence late last month and escalation this month.

Based on current trends, the company now believes its underlying full year PBT is likely to be between $240million and $300million, with:

- A result at the bottom of this range based on current trading conditions continuing through to the end of FY20; and
- A result at the top of the range reflecting improved conditions ahead of the peak fourth quarter booking period

"It is, of course, an evolving situation and we will continue to monitor developments, particularly the ongoing efforts to contain the virus's spread," Mr Turner said. "To date, about 97% of the confirmed cases are in China (Source: World Health Organisation), although the number of cases in other countries is gradually increasing.

"In this uncertain climate, we will seek to capitalise on any opportunities that arise and believe we are well placed to weather this challenge given:

- Our healthy cash position and relatively low debt, which gives customers peace of mind and shields us from short-term economic downturns
- Our scale and diversity, which allows us to help our customers switch to destinations that are not significantly impacted; and
- Our experience with SARS in 2003, when we saw a strong and prolonged leisure sector rebound after a short-term downturn in outbound travel globally

"As we address this challenge, we will draw on our SARS experience and focus on our people and customers in the short-term, with a view to benefitting from any pent-up demand, particularly in leisure, when the situation stabilises and improves.

"We will also work with our suppliers to aggressively promote travel to destinations that are not significantly affected – including Australia, the Americas and the UK – to stimulate demand and are already starting to see extremely attractive offers.

"For example, this week we advertised return fares from various Australian cities to the United States for less than $700 – lower than the fares that we offered during the GFC – as part of an extraordinary airfare price war between the airlines.

"We will also continue our cost focus in this subdued climate and are already introducing flexible work arrangements in our Asia-based businesses that are heavily impacted."

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This announcement has been approved by the board of Flight Centre Travel Group Ltd

Analyst & Investor Conference Call Details:

- Date: Thursday, February 27, 2020
- Time: 9am (QLD), 10am (Sydney/Melbourne)
- Dial-in details: Australia – (02) 9007 3187 or 1800 870643
- Conference ID: 10004284

Footnote 1: Statutory 1H PBT is lower than underlying 1H PBT, which is the basis of guidance, as a result of:

- A $46.1million non-cash impairment charge relating to goodwill, brand names and other intangibles in the London-based Global Touring Business, which has under-performed recently
- $7.1million in non-recurring costs associated with FLT's voluntary decision to reaccommodate customers who would otherwise have lost their money as a result of the collapse of wholesalers Tempo and Bentours in Australia and New Zealand
- $5.4million in costs associated with the investment in Upside, a US-based SME corporate business with a strong technology offering that FLT will incorporate into its Corporate Traveller brand in the Northern Hemisphere
- A $3.1million non-cash accounting adjustment (loss) to reflect changes in the fair value of the initial investment in the Ignite business, which FLT took 100% ownership of during the 1H; and
- A $2.1million non-cash accounting adjustment (loss) brought about by the transition to the new AASB 16 leasing standard

Footnote 2:

- Revenue margin = Revenue as a percentage of TTV
- Underlying cost margin = Underlying costs (excluding touring cost of sales) as a percentage of TTV