



STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE – 6 APRIL 2020

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## EQUITY CAPITAL RAISING TO STRENGTHEN BALANCE SHEET PLUS ENHANCED LIQUIDITY

The Flight Centre Travel Group (**Flight Centre** or **FLT**) is pleased to announce a comprehensive package of initiatives designed to strengthen its balance sheet and liquidity position in the context of prevailing market uncertainties and position it for future growth.

The initiatives announced today complement the previously announced cost reduction and cash preservation initiatives implemented by FLT to help overcome the unprecedented travel and trading restrictions imposed by governments in response to the COVID-19 pandemic.

The initiatives announced today include:

- A ~\$700 million fully underwritten<sup>1</sup> equity capital raising, comprising a ~\$282 million institutional placement (**Placement**) and a ~\$419 million 1-for-1.74 accelerated pro rata non-renounceable entitlement offer (**Entitlement Offer**) (together, the **Equity Raising**);
- A \$200 million increase in commitments from existing lenders; and
- Confirmation that the previously announced cost control initiatives and cash preservation initiatives are anticipated to reduce annualised operating expenses by approximately \$1.9 billion<sup>2</sup> (to approximately \$65 million per month, by the end of July 2020).

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<sup>1</sup> Excluding the founder commitments under the institutional component of the Entitlement Offer and the circumstances described on slide 45 of FLT's investor presentation released to ASX on 6 April 2020 (**Investor Presentation**) under the heading "Shortfall". Refer to paragraph 2.2 of the Key Risks in the Investor Presentation for a description of the terms and conditions of the underwriting arrangements. Assumes that an additional 229,466 FLT shares are issued prior to the record date for the Entitlement Offer pursuant to the exercise of awards that have vested under FLT's Long Term Retention Plan, noting that the actual number of FLT shares that are issued may be less than this number depending on whether the participants exercise their vested awards in time. These amounts are subject to rounding.

<sup>2</sup> Compared to operating cost base between July 2019 and February 2020 of approximately \$227 million per month.

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The combination of these initiatives is expected to ensure Flight Centre can trade through an extended period of uncertainty and disruption, can continue to deliver high quality travel services to customers and can capitalise on opportunities as market conditions improve.

## **EQUITY RAISING**

FLT has today announced a fully underwritten<sup>3</sup> Equity Raising of approximately \$700 million comprising a Placement and an Entitlement Offer.

The Placement and the Entitlement Offer will result in the issue of approximately 97.2 million<sup>4</sup> new fully paid ordinary shares in FLT (**New Shares**), representing approximately 96.1% of existing Flight Centre shares on issue. Each New Share issued under the Placement and the Entitlement Offer will rank equally with existing shares on issue.

### **Placement**

The approximately \$282 million Placement is fully underwritten<sup>5</sup> and will be offered to institutional investors at \$7.20 per share, representing a 27.3% discount to the last traded price of \$9.91 on 19 March 2020 (prior to the trading halt in FLT's shares). The Placement is being conducted today, Monday, 6 April 2020.

In accordance with Class Waiver Decision – Temporary Extra Placement Capacity – granted by ASX on 31 March 2020, the Placement is within FLT's placement capacity calculated as if FLT's placement capacity under Listing Rule 7.1 is 25% and not 15%, and by reference to the number of FLT shares that may be issued under the Entitlement Offer, and accordingly no shareholder approval is required in connection with the Placement. FLT shares issued under the Placement do not have rights to participate in the Entitlement Offer.

### **Entitlement Offer**

The Entitlement Offer of approximately \$419 million will consist of a 1-for-1.74 accelerated pro rata non-renounceable entitlement offer, including:

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<sup>3</sup> Please refer to note 1 in this announcement.

<sup>4</sup> Assumes that an additional 229,466 FLT shares are issued prior to the record date for the Entitlement Offer pursuant to the exercise of awards that have vested under FLT's Long Term Retention Plan, noting that the actual number of FLT shares that are issued may be less than this number depending on whether the participants exercise their vested awards in time.

<sup>5</sup> Please refer to note 1 in this announcement.

- a fully underwritten<sup>6</sup> institutional entitlement offer to raise approximately \$280 million (**Institutional Entitlement Offer**); and
- a fully underwritten<sup>7</sup> retail entitlement offer to raise approximately \$138 million, which will open on Wednesday, 15 April 2020 and close at 5pm (Sydney time) on Friday, 1 May 2020 (**Retail Entitlement Offer**).

Under the Entitlement Offer, eligible shareholders are invited to subscribe for 1 FLT share for every 1.74 shares they hold as at 7.00pm (Sydney time) on Wednesday, 8 April 2020 (the **Record Date**). All New Shares in the Entitlement Offer will be issued at a price of \$7.20 per New Share which represents:

- A 27.3% discount to the last close price of \$9.91 on 19 March 2020;
- A 16.1% discount to the theoretical ex-rights price (**TERP**<sup>8</sup>) of \$8.58.

Major shareholders the Turner, Harris and James families have committed to taking up a portion of their pro rata entitlements, in total representing a financial commitment of approximately \$25 million.

Entitlements cannot be traded on the ASX or transferred. Eligible shareholders who do not take up their entitlement under the Entitlement Offer in full or in part, will not receive any value in respect to those Entitlements not taken up.

Macquarie Capital (Australia) Limited and UBS AG, Australia Branch are joint lead managers and underwriters to the Equity Raising.

FLT's shares will remain in a trading suspension pending completion of the Placement and the Institutional Entitlement Offer.

### ***Institutional Entitlement Offer***

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer, which is being conducted today, Monday, 6 April 2020. Eligible institutional shareholders can choose to take up all, part or none of their entitlements under the

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<sup>6</sup> Please refer to note 1 in this announcement.

<sup>7</sup> Please refer to note 1 in this announcement.

<sup>8</sup> Theoretical ex-rights price (TERP) includes the shares issued under the Placement, Institutional Entitlement Offer and the Retail Entitlement Offer. TERP is the theoretical price at which Shares should trade immediately after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which Shares trade on ASX immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to TERP. TERP is calculated by reference to the closing price of FLT's Shares as traded on ASX on 19 March 2020, being the last trading day prior to the announcement of the Entitlement Offer.

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Entitlement Offer. Entitlements not taken up by institutional shareholders cannot be traded on market or transferred. Entitlements not taken up by eligible institutional shareholders, and institutional entitlements that would otherwise have been offered to ineligible institutional shareholders, will be offered to new and existing institutional shareholders concurrently with the Institutional Entitlement Offer.

### ***Retail Entitlement Offer***

Eligible retail shareholders with a registered address in Australia or New Zealand will be invited to participate in the Retail Entitlement Offer. The Retail Entitlement Offer will open on Wednesday, 15 April 2020 and close at 5.00pm (Sydney time) on Friday, 1 May 2020.

Eligible retail shareholders who take up their entitlement in full can also apply for additional shares in excess of their entitlement up to a maximum of 25% of their entitlement under an oversubscription facility.

Further details about the Retail Entitlement Offer will be set out in the retail offer booklet, which FLT expects to lodge with the ASX and dispatch on 15 April 2020.

### **INCREASED COMMITMENT FROM EXISTING LENDERS AND COVENANT WAIVERS**

FLT's existing banking group has agreed<sup>9</sup> to provide a total of \$200 million in bilateral term facilities and waive covenant testing for the June 2020 and December 2020 testing periods across both new and existing facilities. Total facilities of \$450 million are in place and are subject to a minimum liquidity covenant of \$350 million.

### **COST CONTROL AND CASH PRESERVATION INITIATIVES**

FLT is in the process of implementing a raft of cost saving initiatives designed to ensure that it can: trade through an extended period of uncertainty and disruption; continue to deliver high quality travel services to customers; and capitalise on opportunities as market conditions improve.

The initiatives are expected to result in \$1.9 billion<sup>10</sup> of annualised cost reductions, resulting in anticipated monthly operating cash costs of approximately \$65 million, and be implemented by the end of July 2020. One-off costs of approximately \$210 million<sup>11</sup> will be

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<sup>9</sup> Subject to the satisfaction of certain conditions.

<sup>10</sup> Compared to operating cost base between July 2019 and February 2020 of approximately \$227 million per month.

<sup>11</sup> Excludes non-cash PPE write-offs.

required to implement the cost reductions. The additional net operating cash losses during the transition period are expected to be approximately \$155 million.<sup>12</sup>

FLT has previously announced plans to close a large number of leisure shops throughout the world. FLT plans to close more than 50% of global leisure shops, including more than 40% of Australian leisure shops.

Flight Centre has moved to significantly reduce occupancy costs of the remaining retail network, by renegotiating rental agreements with landlords, discussions to date have been positive as FLT has pursued cost savings including rent-free periods and more flexible trading hours.

In addition, Flight Centre is also exploring the sale of its Melbourne head office site.

### **GOVERNMENT SUPPORT**

FLT welcomes stimulus packages that governments throughout the world are delivering to help businesses retain as many workers as possible and overcome the extraordinary trading conditions they are facing.

In Australia, FLT continues to proactively engage with state and federal governments to discuss various support mechanisms that would help the company preserve more jobs for the future.

Flight Centre welcomes the Federal Government's JobKeeper initiative. The impact of the initiative is still being assessed; however, Flight Centre believes it will receive material support, both in terms of payments and an ability to retain more staff.

### **LIQUIDITY POSITION AND BALANCE SHEET FLEXIBILITY**

The combination of these capital, liquidity and cost-related initiatives will provide FLT with substantial additional liquidity and balance sheet flexibility to trade through this period of dislocation and uncertainty across the travel sector.

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<sup>12</sup> Management's estimate of aggregate net operating cash losses to be incurred during transition period whilst cost saving initiatives are implemented, incremental to the approximately \$65 million run-rate operating cash outflow per month and approximately \$210 million one-off cash costs to implement.

The package of initiatives provides FLT with approximately \$2.3 billion of liquidity (adjusted<sup>13</sup> as at 29 February 2020) and a monthly cash operating cost base of approximately \$65 million (post one-off implementation costs of approximately \$210 million<sup>14</sup>).

## **FLIGHT CENTRE IS A LEADING GLOBAL TRAVEL AND TOURISM COMPANY**

For over 30 years, Flight Centre has been delivering high quality travel services to its customers. In this time, it has transitioned from a leisure travel agency to a full-service leisure travel and corporate travel management business spanning 23 countries.

Prior to the COVID-19 outbreak and the implementation of unprecedented containment measures by governments in Australia and internationally, FLT had been on track to deliver a record year of TTV in FY20, after generating \$12.4 billion TTV in 1H20 (+11.2% on pcp) and further records of TTV in both January and February.

## **IMPACT OF COVID-19, TRADING UPDATE AND OUTLOOK**

The COVID-19 containment initiatives that have been introduced domestically and globally have created an unprecedented challenge for the travel industry.

As one of the world's largest leisure and corporate travel managers, FLT has been, and will continue to be, significantly impacted by recent events, including:

- Unprecedented government-imposed travel restrictions;
- Major reduction in airline capacity;
- Nationwide “shut down” requirements imposed by governments which impact upon travel-related businesses; and,
- Consumer cautiousness associated with travel, and particularly isolation requirements.

After tracking at record levels through to the end of February 2020, total global transaction value (TTV) fell in March 2020 to 20-30% of normal levels, following increased restrictions on international travel, domestic border controls, self-isolation and trading with regard to non-essential services.

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<sup>13</sup> Taking into account the cost saving and capital raising initiatives, but prior to any unwind of working capital, one off-costs to implement cost saving initiatives or additional net operating cash losses expected during the transition period. Please refer to slide 24 in the Investor Presentation for further information.

<sup>14</sup> Excludes non-cash PPE write-offs.

Based on these restrictions, further TTV declines are likely in the coming weeks as travel restrictions continue.

Despite this, Flight Centre continues to generate some revenues through long term travel bookings, intra-state and intra-region travel, repatriation services, essential services, government work, aircraft charters and alternative revenue streams.

The company has also continued to win and retain corporate accounts and secured contracts with annual spends in the order of \$250 million during March 2020.

In the longer term, as the one of the top 5 largest global corporate travel management companies and given the company's strong leisure sector presence, Flight Centre is uniquely positioned to benefit from the rebound in the travel industry.

#### **COMMENTS FROM FLT MANAGING DIRECTOR GRAHAM TURNER:**

"The steps we are taking and the strategies we are initiating are carefully considered and are designed to ensure that we:

- Overcome the challenges that we – and most other businesses across most industries – will face in the near-term; and,
- Are ready and well placed to benefit when the trading cycle improves, and as unprecedented travel and trading restrictions are lifted.

"These restrictions are widespread globally and now typically include full bans on international travel, domestic border closures and the forced closures of shops that are not deemed to be providing essential services. Together, they mean that our people are currently processing a fraction of the normal volumes at this time of year and the vast proportion of work previously carried out by our people has stopped. It is – without question – the most challenging period we have encountered in over 30 years in business and it is inevitable that some businesses across our industry will fail, given the significant loss of revenue that they will be experiencing now and for at least the next few months. With this funding in place and additional liquidity, we are in a much stronger position and are well placed to weather a prolonged downturn, which currently seems the likely scenario, and to then take advantage of the significant opportunities that will arise once conditions normalise".

Flight Centre was advised by Luminis Partners (in affiliation with Evercore) as financial advisor, King & Wood Mallesons and Allen & Overy as legal counsel.

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## Equity raising timetable

Event	Date
Announcement of Offer	Monday, 6 April 2020
Institutional Entitlement Offer and Placement opens	
Institutional Entitlement Offer and Placement closes	Monday, 6 April 2020
Suspension lifted and trading resumes	Tuesday, 7 April 2020
Record date for the Entitlement Offer (7:00pm Sydney time)	Wednesday, 8 April 2020
Retail Entitlement Offer Opens	Wednesday, 15 April 2020
Retail Entitlement Offer Booklet despatched	
Settlement of new shares issued under the Institutional Entitlement Offer and the Placement	Thursday, 16 April 2020
Allotment and normal trading of New Shares issued under the Institutional Entitlement Offer and the Placement	Friday, 17 April 2020
Retail Entitlement Offer closes (5:00pm Sydney time)	Friday, 1 May 2020
Settlement of Retail Entitlement Offer	Thursday, 7 May 2020
Allotment of New Shares issued under Retail Entitlement Offer	Friday, 8 May 2020
Normal trading of New Shares issued under Retail Entitlement Offer	Monday, 11 May 2020
Despatch of holding statements in respect of New Shares issued under the Retail Entitlement Offer	Wednesday, 13 May 2020

Note: The timetable above is indicative only and may be subject to change. Flight Centre reserves the right to amend any or all of these dates and times without notice, subject to the Corporations Act, the ASX Listing Rules and other applicable laws.

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## ADDITIONAL DETAILS

Further details of the Entitlement Offer are set out in the Investor Presentation pack provided to the ASX today (**Investor Presentation**). The pack contains important information including key risks and foreign selling restrictions with respect to the Placement and the Entitlement Offer.

ENDS: Media & investor enquiries to [haydn\\_long@flightcentre.com](mailto:haydn_long@flightcentre.com), + 61 418 750454

## IMPORTANT NOTICES

This announcement has been authorised by the Board of Flight Centre Travel Group Limited.

This announcement may not be released or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The new shares to be offered and sold in the Equity Raising have not been, and will not be, registered under the US Securities Act of 1933 (the **US Securities Act**) or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, in the United States unless they are offered and sold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

This announcement contains certain "forward-looking statements" that are based on management's beliefs, assumptions and expectations and on information currently available to management. Forward-looking statements can generally be identified by the use of forward-looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target" "outlook", "guidance" and other similar expressions within the meaning of securities laws of applicable jurisdictions. Such forward-looking statements include statements regarding the timetable, conduct and outcome of the Equity Raising and the use of proceeds thereof, statements about the plans, objectives and strategies of the management of FLT, statements about the industry and the markets in which FLT operates and statements about the future performance of the FLT businesses. Indications of, and guidance or outlook on, future earnings or financial position or performance, future earnings and distributions are also forward-looking statements.

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You are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the outbreak of COVID-19. Any such statements, opinions and estimates in this announcement speak only as of the date hereof and are based on assumptions and contingencies subject to change without notice, as are statements about market and industry trends, projections, guidance and estimates. Forward-looking statements are provided as a general guide only. The forward-looking statements contained in this announcement are not indications, guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of FLT and its subsidiaries, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Forward-looking statements may also assume the success of the FLT's business strategies. The success of any of these strategies is subject to uncertainties and contingencies beyond the FLT's control, and no assurance can be given that any of the strategies will be effective or that the anticipated benefits from the strategies will be realised in the period for which the forward looking statements may have been prepared or otherwise. Refer to the key risks in Appendix A of the Investor Presentation for a non-exhaustive summary of certain key business, offer and general risk factors that may affect FLT and its subsidiaries.

There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. A number of important factors could cause actual results or performance to differ materially from the forward-looking statements, including (without limitation) the risks and uncertainties associated with the ongoing impacts of COVID-19, the Australian and global economic environment and capital market conditions and other risk factors set out in the Investor Presentation. Investors should consider the forward-looking statements contained in this announcement in light of those risks and disclosures. The forward-looking statements are based on information available to FLT as at the date of this announcement.

No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including FLT or any of its advisers). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. Actual operations, results, performance, production targets or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. Except as required by law or regulation (including the ASX Listing Rules), FLT disclaims any obligation or undertaking to update forward-looking statements in this announcement to reflect any changes in expectations in relation to any forward-looking statement or change in events, circumstances or conditions on which any statement is based.