



ASX Announcement

29 September 2020

Corporate Travel Management announces acquisition of Travel & Transport and fully underwritten entitlement offer

Highlights:

- Acquisition of Travel & Transport, a leading North American corporate travel business with CY19 TTV of US\$2.8bn (A\$4.0bn)¹
- Enterprise value of US\$200.4m (A\$274.5m)² on a cash-free, debt-free basis
- Compelling strategic rationale for the acquisition, with scope for material combination benefits
- Implied acquisition multiple of 7.0x Enterprise Value / CY19 pro-forma EBITDA based on Travel & Transport's most recent audited financials for CY19 which was prior to the impact of COVID-19³. Implied acquisition multiple reduces to 4.3x including estimated full run-rate synergies of US\$18m⁴ (A\$25m)¹
- Expected to be approximately 10% EPS accretive on a pro-forma CY19 basis excluding synergies (and approximately 30% EPS accretive including synergies)⁵
- Funded via a fully underwritten entitlement offer to raise A\$375m. Additional capital being raised to fund acquisition costs, integration costs, provide additional liquidity to fund potential Travel & Transport losses for a prolonged period, balance sheet flexibility and capacity for other acquisitions
- Net cash position post equity raising of A\$126.8m, with £100m (A\$181.8m)⁶ additional liquidity via committed undrawn finance facility
- Key Travel & Transport executives, including the CEO, to invest in CTM stock
- Completion is expected to occur in late October 2020⁷
- While the acquisition of Travel & Transport is likely to represent a significant change to the scale of CTM's activities in the context of ASX Listing Rule 11.1⁸, ASX has confirmed that CTM is not required to obtain shareholder approval for the transaction

¹ Assumes CY19 average of 1 AUD = 0.70 USD

² Assumes 1 AUD = 0.73 USD

³ Pro-forma EBITDA includes normalisations reflecting Travel & Transport's ESOP ownership structure, the full year impact of actioned non COVID-19 related strategic initiatives and excludes costs which are one off in nature

⁴ Excludes integration costs; CY19 financial information is considered to best represent the performance of both CTM and Travel & Transport prior to the impacts associated with COVID-19

⁵ Based on pro-forma NPAT excluding transaction costs, one off integration costs and amortisation of acquired identifiable intangible assets. The impact of purchase price accounting has not been completed, which will impact future depreciation and amortisation charges. In accordance with AASB 133 Earnings per Share, CTM's standalone EPS has been restated based on an adjustment factor to take into account the bonus element of the Entitlement Offer

⁶ Assumes 1 AUD = 0.55 GBP

⁷ Subject to, among other things, anti-trust approval and the receipt of a satisfactory fairness opinion by the trustee of Travel & Transport's employee stock ownership plan

⁸ This announcement is notice under Listing Rule 11.1 of the ASX Listing Rules

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Acquisition of Travel & Transport

Corporate Travel Management Limited (**CTM, ASX: CTD**) has entered into a binding agreement to acquire 100% of Travel & Transport, Inc. (**Travel & Transport**) for a cash and debt free enterprise value of US\$200.4m (A\$274.5m)⁹.

The transaction is expected to be approximately 10% EPS¹⁰ accretive on a pro-forma CY19 basis (excluding synergies) based on Travel & Transport's most recent audited financials for CY19 which was prior to the impact of COVID-19. When including estimated full run-rate synergies of US\$18m¹¹ (A\$25m)¹², the transaction is expected to be approximately 30% EPS accretive.

Completion of the acquisition is expected in late October 2020 subject to, amongst other things, antitrust approval, and the receipt of a satisfactory fairness opinion by the trustee of Travel & Transport's employee stock ownership plan (**ESOP**)¹³.

Overview of Travel & Transport

Founded in 1946, Travel & Transport is a leading US travel management company headquartered in Omaha, Nebraska. Travel & Transport is 100% owned through an ESOP. Over 90% of CY19 total transaction value (**TTV**) was generated by Travel & Transport's US business, with its European business contributing the balance.

In CY19, the business generated TTV of US\$2.8bn (A\$4.0bn)¹² and pro-forma EBITDA of US\$29m¹³ (A\$41m)¹². Over 60% of CY19 TTV was generated from corporate air travel and approximately 30% from hotels.

Travel & Transport's customer mix is highly complementary to CTM, with a focus on professional services and healthcare clients. The business has low customer concentration, with the largest customer representing only 2.5% of CY19 air volumes and top 50 customers representing less than 45% of CY19 air volumes.

Travel & Transport also wholly-owns Radius Travel (**Radius**), which operates a large-scale hotel program. Radius is one of the leading programs of its kind globally, with partnerships with prominent global hotel brands in 160 countries.

⁹ Assumes 1 AUD = 0.73 USD

¹⁰ Based on pro-forma NPAT excluding transaction costs, one off integration costs and amortisation of acquired identifiable intangible assets. The impact of purchase price accounting has not been completed, which will impact future depreciation and amortisation charges. In accordance with AASB 133 Earnings per Share, CTM's standalone EPS has been restated based on an adjustment factor to take into account the bonus element of the Entitlement Offer

¹¹ Excludes integration costs; CY19 financial information is considered to best represent the performance of both CTM and Travel & Transport prior to the impacts associated with COVID-19. Refer to slide 37 of the associated investor presentation regarding risks associated with integration and synergies

¹² Assumes CY19 average FX of 1 AUD = 0.70 USD

¹³ Subject to, among other things, anti-trust approval and the receipt of a satisfactory fairness opinion by the trustee of Travel & Transport's employee stock ownership plan

Compelling Strategic Rationale

- **Build Scale:** Once combined, CTM will strengthen its position as one of the leading mid-market corporate travel managers in the world with A\$10.8bn TTV and North American TTV of US\$3.6b (A\$5.2b) (based on pro-forma CY19)^{14,16};
- **Sector and Geographic Focus:** Travel & Transport has a highly complementary industry and geographic profile, with a strong focus on financial and professional services clients, and a particularly strong client base in New York. The combination enhances the opportunity to service international clients, particularly the high-volume New York / London route;
- **Global Hotel Program:** Travel & Transport's hotel program, Radius, is one of the leading programs of its kind globally, expected to provide an enhanced offering to CTM clients;
- **Scope for Material Combination Benefits:** Estimated full run-rate synergies of US\$18m¹⁵ (A\$25m)¹⁶ expected to be delivered within 2 years of completion (with significant work to be undertaken in the next 6 months to take advantage of slower client activity currently experienced in corporate travel);
- **Strengthened US Leadership:** Travel & Transport's high-quality management team to augment CTM's US management capability, with Travel & Transport's incumbent CEO, Kevin O'Malley to lead the combined US business; and
- **Strong cultural alignment:** Focus on customer service and leveraging proprietary technology.

CTM founder and Managing Director, Jamie Pherous said, "We are excited to bring our two companies together under the CTM umbrella. Travel & Transport has an incredible reputation and a long history of success within the global travel industry, and we have shared views about delivering personalised service and proprietary technology to generate strong returns for clients on their travel investments".

Travel & Transport CEO, Kevin O'Malley said, "Travel & Transport has been in business for 74 years, growing from a one-person operation in Omaha, Nebraska, to one of the largest corporate travel management companies in the US".

"We are excited about the opportunities for our people and our clients by becoming part of a growing, world-class travel management company. We were very impressed with CTM's technology, in particular the Lightning online booking tool, and CTM's strength in the Asia Pacific region. CTM will be a great place for our employees to call home".

¹⁴ CY19 financial information is considered to best represent the performance of both CTM and Travel & Transport prior to the impacts associated with COVID-19

¹⁵ Excludes integration costs; CY19 financial information is considered to best represent the performance of both CTM and Travel & Transport prior to the impacts associated with COVID-19. Refer to slide 37 of the associated investor presentation regarding risks associated with integration and synergies

¹⁶ Assumes CY19 average FX of 1 AUD = 0.70 USD

Trading Update and Pro-Forma Group Position

COVID-19 has had a material impact on both companies, with CTM and Travel & Transport currently operating at 25% and 13% of last year's transaction volumes, respectively¹⁷.

Over July and August 2020, the pro-forma group generated average revenue of A\$14.0m per month and an average underlying EBITDA loss of A\$5.7m per month¹⁸. Average pro-forma group cash burn was A\$7.5m per month over the period¹⁹.

CTM's net cash position post equity raising is A\$126.8m, with £100m (A\$181.8m)²⁰ additional liquidity via a committed undrawn finance facility.

Refer to the addendum for further information on the pro-forma group impact of the acquisition.

Funding and Equity Raising

The acquisition of Travel & Transport will be funded by the proceeds from the fully underwritten accelerated non-renounceable entitlement offer to raise approximately A\$375m (**Entitlement Offer**), with the remaining funds being raised to fund acquisition costs, integration costs, provide additional liquidity to fund potential Travel & Transport losses for a prolonged period, balance sheet flexibility and capacity for other acquisitions.

Under the Entitlement Offer, eligible shareholders will be able to subscribe for 1 fully paid ordinary share (**New Shares**) for every 4.03 CTM shares that they hold at 7:00pm (AEST) on Thursday, 1 October 2020 (**Record Date**) at the issue price of \$13.85 per New Share (**Offer Price**).

The Offer Price of \$13.85 represents a discount per share of:

- 11.8% to the theoretical ex-rights issue price (**TERP**)²¹ of \$15.70; and
- 14.3% to the last traded price on 25 September 2020 of \$16.16.

The Entitlement Offer will result in approximately 27 million New Shares being issued in total, equivalent to approximately 25% of CTM's total shares outstanding upon completion of the Entitlement Offer. New Shares will rank equally in all respects with existing shares of CTM.

All CTM Non-Executive Directors have indicated that they will participate in the Entitlement Offer. Jamie Pherous, CTM's founder and Managing Director, has indicated that he will not participate in the Entitlement Offer.

The Entitlement Offer is non-renounceable and rights are not transferrable and will not be traded on the Australian Securities Exchange (**ASX**) or any other exchange. The Entitlement Offer will be made to both institutional shareholders (**Institutional Entitlement Offer**) and retail shareholders (**Retail Entitlement Offer**). 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 of those entitlements not taken up.

¹⁷ CTM represents North American business only. Travel & Transport represents US air tickets only

¹⁸ Underlying EBITDA excludes the impact of AASB16

¹⁹ Cash burn is defined as EBITDA loss plus capex

²⁰ Assumes 1 AUD = 0.55 GBP

²¹ The theoretical ex rights price (TERP) includes shares issued under the Entitlement Offer. TERP is the theoretical price at which CTM's shares should trade at immediately after the ex-date for the Entitlement Offer based only on the last traded price and issuance of shares at the Offer Price in the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which CTM shares trade immediately after the ex-date for the Entitlement Offer may be different from TERP.

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Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer.

Under the Institutional Entitlement Offer, eligible institutional shareholders can choose to take up all, part or none of their entitlement. Entitlements not taken up under the Institutional Entitlement Offer will be offered to eligible institutional investors at the Offer Price in the institutional bookbuild.

Retail Entitlement Offer

Eligible retail shareholders with a registered address in Australia or New Zealand on the Record Date of 7:00pm (AEST) Thursday, 1 October 2020 have the opportunity to invest in New Shares at the Offer Price, on the terms and conditions that will be set out in the retail offer booklet to be sent to eligible retail shareholders on or around Tuesday, 6 October 2020.

Please note that shareholders with a registered address outside Australia or New Zealand on the Record Date are ineligible to participate in the Retail Entitlement Offer. CTM will notify shareholders who are on the share register on the Record Date as to whether they are eligible to participate in the Entitlement Offer. Eligible Shareholders will receive a retail offer booklet, including a personalised entitlement and acceptance form, which will provide further details of how to participate in the Entitlement Offer.

Under the Retail Entitlement Offer, eligible retail shareholders that take up their full entitlement may also apply for additional New Shares in excess of their Entitlement (subject to scale-back, at CTM's discretion).

Key Dates

Activity	Date
Announcement of Entitlement Offer	Tuesday, 29 September 2020
Institutional Entitlement Offer opens	10:00am Tuesday, 29 September 2020
Institutional Entitlement Offer closes	10:00pm Tuesday, 29 September 2020
Announcement of results of Institutional Entitlement Offer	Wednesday, 30 September 2020
Shares recommence trading	Wednesday, 30 September 2020
Entitlement Offer Record Date	Thursday, 1 October 2020
Despatch of letters to shareholders regarding eligibility	Tuesday, 6 October 2020
Retail Entitlement Offer opens	Tuesday, 6 October 2020

Settlement of New Shares issued under the Institutional Entitlement Offer	Wednesday, 7 October 2020
Issue and commencement of trading of New Shares under the Institutional Entitlement Offer	Thursday, 8 October 2020
Retail Entitlement Offer closes	5:00pm Thursday, 15 October 2020
Announcement of results of the Retail Entitlement Offer	Tuesday, 20 October 2020
Settlement of New Shares issued under the Retail Entitlement Offer	Wednesday, 21 October 2020
Issue of and commencement of trading of New Shares under the Retail Entitlement Offer	Thursday, 22 October 2020
Holding statements in respect of New Shares issued under the Retail Entitlement Offer despatched	Friday, 23 October 2020

The timetable (and each reference in this announcement to a date specified in the timetable) is indicative only and CTM may, at its discretion, vary any of the above dates by lodging a revised timetable with the ASX.

All times referred to in this announcement are AEST.

The quotation of New Shares is subject to confirmation from the ASX.

Further Information

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

Greenhill & Co. is acting as financial adviser. The Entitlement Offer is fully underwritten by Morgans Corporate Limited and Morgan Stanley Securities Australia Limited. Allens and Sherman & Howard are acting as legal advisers to CTM.

CTM Managing Director, Jamie Pherous, will be conducting a conference call at 10.30am AEST. Participants will need to pre-register for the call by following this link: <https://s1.c-conf.com/diamondpass/10010039-62Uwjd.html>. Instructions to access the call will be provided after registration.

- ENDS -

Authorised for release by the Board.

For further information:

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Addendum – Pro-forma group impact

	CTM	CTM Pro-forma
Total Assets	A\$764m	A\$1,167m ²²
Net Assets	A\$558m	A\$905m ²²
TTV (CY19)	A\$6,817m	A\$10,842m
Revenue (CY19)²³	A\$459m	A\$755m
Underlying EBITDA Excl. Synergies (CY19)^{23, 24}	A\$150m	A\$191m

²² Includes the impact of acquisition adjustments which represent the difference between the consideration and the carrying value of Travel & Transport's net assets (excluding cash and debt) based on the balance sheet at 30 June 2020. The pro-forma adjustments to reflect the estimated financial effect of accounting for the business combination is illustrative only. CTM will undertake the purchase price accounting once the transaction has been completed. Travel & Transport 30 June 20 net assets assumes 1 AUD = 0.70 USD; acquisition adjustments assume 1 AUD = 0.73 USD. CTM net assets as per the Group's FY20 Annual Report

²³ Assumes 1 AUD = 0.70 USD. Revenue excludes other income. Pro-forma CTM Group includes Group segment. CY19 financial information is considered to best represent the performance of both CTM and Travel & Transport prior to the impacts associated with COVID-19

²⁴ Pro forma EBITDA includes normalisations for Travel & Transport's ESOP ownership structure, the full year impact of actioned non COVID-19 related strategic initiatives and costs which are one-off in nature