



STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE - November 4, 2016

FLIGHT CENTRE TRAVEL GROUP OUTLINES FY17 TARGETS

THE Flight Centre Travel Group (FLT) today provided preliminary guidance for the 2017 fiscal year (FY17).

In a challenging trading climate globally, characterised by record low airfares in several key countries, FLT is currently achieving strong growth in ticket volumes - particularly in Australia.

While this ticket growth is leading to record total transaction value (TTV), year-on-year TTV growth is currently lower than normal, with the volume increases the company is generating off-setting the significantly cheaper fares that are being offered.

Over the full year, FLT expects to exceed \$20billion in TTV for the first time (FY16: \$19.3billion).

Underlying profit before tax (PBT) is expected to finish between \$320million and \$355million for the full year (FY16: \$352.4million), with a subdued first half likely to be followed by a stronger second half.

Underlying first half PBT is expected to be between \$105million and \$120million (FY16: \$145.9million) and will be adversely affected by:

- Slower than normal TTV and revenue growth in the short-term as a result of average international airfares being substantially cheaper than during the prior corresponding period (PCP) in key markets, including Australia, the United States and India. In Australia, widespread airline discounting has seen the average international fare sold by FLT during the first half of FY17 decrease about 7% compared to the same period of FY16, following a 4% decline during the second half of last year
- Currency movements. The British pound's rapid depreciation has led to more than \$5million in unrealised foreign exchange (FX) losses on the revaluation of forward exchange contracts. FX movements have also led to a \$5million reduction in translation of overseas profits
- Subdued trading in the UK early in FY17, following the Brexit vote, and in the USA as a result of uncertainty surrounding the upcoming Presidential elections and the Zika virus's impact on leisure travel; and

- Lower than expected profits during the Top Deck and Back Roads touring businesses' peak season, with excess capacity during the period leading to decreased bottom-line results, despite increased passenger numbers

While the impact of FX movements cannot be predicted, FLT expects accelerated second half growth, assuming current conditions continue.

Growth drivers during this period are expected to include:

- Increased TTV growth in Australia as a result of the strong ticket volumes being achieved in both domestic and international travel and as airfare prices become comparable with the PCP
- Improved results in Europe as the immediate implications of the Brexit referendum become clearer and as trading conditions stabilise; and
- Benefits flowing from cost control measures that are being implemented throughout the business in the first half

"When we released full year accounts for FY16, we said we expected to surpass the \$20billion TTV barrier for the first time this year and that we would be disappointed if we didn't grow underlying PBT," FLT managing director Graham Turner said.

"That remains the case, although the internal and external factors that are currently impacting top and bottom-line results mean that we will not be tracking at those levels by the end of the first half, despite a relatively strong sales performance.

"Qantas this week reported similar trends in relation to airfare discounting and its impacts on revenue, while Virgin outlined subdued trading conditions during the first quarter in its recent market announcement.

"On a positive note, we are recording strong growth in ticket volumes.

"In Australia, our growth - which is about 9% year-to-date - is outpacing industry growth and appears to be accelerating.

"International and domestic ticket sales were particularly strong last month, with average ticket numbers per day growing at the fastest rate we have recorded since 2014. Tickets to the USA alone increased by almost 40% in the month and are up about 15% so far this year.

"Travellers have, of course, been the big winners in this low-fare environment and have been snapping up some of the cheapest fares we have ever advertised.

"Recent examples have included return fares to:

- London from \$899 (ex Melbourne)
- Europe from \$799 (ex Adelaide)
- Honolulu from \$376 (ex Sydney); and
- Los Angeles from \$734 (ex Sydney)

"Headline fares to New York also fell to well under \$1000 during this period of unprecedented discounting by the airlines in Australia."

Other operational highlights so far during FY17 include:

- Improved earnings in New Zealand, South Africa and Canada
- Continued investments in FLT's systems and multi-channel network. In the technology space, the company's priorities are to deliver efficient financial management, a single view of the customer across all channels, leading online/self service capabilities and best product and pricing
- The acquisition of the Ignite business in Australia (49% interest) and conditional agreements to acquire businesses in India (Travel Tours) and Europe (corporate businesses in Germany, Sweden, Denmark, Finland and Norway). FLT is also actively pursuing opportunities on Mainland China to strengthen its foothold in a country that is poised to surpass the USA as the world's largest travel market by 2024 (Source: IATA); and
- The introduction of various new products and revenue streams

FLT has increased its global sales force during the first half of FY17 but growth has so far been relatively modest.

Expansion highlights include:

- The George Street hyperstore's opening in Sydney. This has become FLT's largest shop globally and has traded profitably since its first month
- A new US hyperstore in Chicago, which has given the business a network of flagship Travel Centers in New York, Boston, Chicago, Philadelphia and Los Angeles
- Leisure expansion into Dublin and the opening of FCBT shops in Ireland and Wales; and

- Continued roll-out of the SME-focussed Corporate Traveller brand to operate alongside FCM in key global markets, including China, Hong Kong, Singapore, Malaysia, India and the Netherlands

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FLT will host a conference call for analysts and investors this morning. Details are as follows:

Time: 10.30am (QLD)

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