



## **STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE – October 31, 2013**

### **FLIGHT CENTRE TRAVEL GROUP REVEALS SOLID START TO 2013/14**

THE Flight Centre Travel Group (FLT) has extended its growth record into the early months of 2013/14.

Speaking at FLT's Annual General Meeting (AGM) in Brisbane today, managing director Graham Turner said the company was currently on track to achieve its target of 8-12% underlying profit before tax growth during the 12 months to June 30 2014.

If achieved over the full year, this growth rate would translate to a PBT between \$370million and \$385million.

Underlying PBT during 2012/13 increased 18% to a record \$343.1million (actual PBT \$349.2million) – FLT's 16<sup>th</sup> year of profit growth in 18 years as a public company. .

"Trading results so far are promising and indicate that we will be tracking within our targeted range in PBT terms at the end of this month (October)," Mr Turner said.

"TTV growth has also been solid.

"It is, of course, very early days and it is premature to extrapolate current growth rates over the full year.

"As we have said before, comparatives will become more difficult as the year progresses, so maintaining the current trajectory will become more challenging."

FLT's guidance and its year-to-date results are based on underlying trading results and exclude possible goodwill adjustments or significant unforeseen items. The company has publicly flagged the possibility of goodwill impairment in India and the USA and could write-down some legacy IT programs during 2013/14.

Mr Turner said strongest results to date had come from the Australia, United Kingdom and New Zealand businesses.

South Africa's results were up solidly in local currency, while both the United States and Canada businesses were currently ahead of last year, thanks largely to the performance of the local corporate travel businesses

The Singapore, Greater China and Dubai businesses were performing well and India was profitable but remained a challenge.

"As expected, currency fluctuations do not seem to have affected Australian outbound travel," Mr Turner said.

"Results from both our leisure and corporate businesses in Australia have improved year-on-year, with leisure currently recording stronger growth – continuing the trend that was evident during the second half of last year.

"Flight Centre brand is performing well and growing.

"New and recent initiatives for the company's largest leisure travel brand include:

- Significant enhancements online as part of the development of a blended offering
- Launch of an exclusive new product range – Red Label Fares
- Expanded 24/7 capabilities, with larger round-the-clock sales teams in place in Sydney and Brisbane to service the large amount of customer enquiry generated after 6pm
- Build-up in specialist teams servicing round-the-world enquiry, small corporate accounts, group travel and first and business class
- The opening of a new hyperstore – the second in Australia – in Brisbane's Queen Street Mall. Some of this store's new features will be introduced in other Flight Centre shops in the future; and
- New television ad campaigns to highlight the brand's expanded offering."

The development of a blended travel model is one of seven key strategic initiatives that are underway as part of FLT's evolution from a leisure and corporate travel agent into a best in world travel retailer.

The seven initiatives focus on:

1. Brand specialisation
2. Developing unique products for all brands. Examples include myTime, Black Market Flights, Red Label Fares and smartSTAY
3. Being true experts, not purely travel agents, in each of the specialist areas

4. Redefining the shop as retail selling space – not office space
5. Offering blended access for customers so they can enquire or transact when and how they want
6. Proactively using information to deliver the right product to the right customer at the right time; and
7. Developing a sales and marketing machine

FLT opened its 2500<sup>th</sup> shop and business in July 2013 and has announced plans to expand its global sales force by 8-10% during 2013/14.

Mr Turner said expansion would predominantly be organic, although the company expected to pursue some strategic acquisition opportunities.

“Acquisitions are likely to be capital-light businesses that can be vertically integrated, without the company taking on significant physical assets.

“Opportunities may include:

- Hotel management arrangements or joint ventures in some key markets
- Destination management companies; and
- Wholesale tour operations, given the success we are now having with the small Back-Roads Touring business in the UK and potential synergies that may arise

“Last week, we also announced a plan to expand our franchise business in Australia in the Escape Travel brand. This follows approaches from agents who are currently aligned to other networks.”

In the UK, the company planned to open new hyperstores in Victoria (London), Bristol, Leeds and probably Aberdeen, while the US business was set for its largest year of growth since the Liberty/GOGO acquisition in 2009.

“This will see:

- Hyperstores, featuring flagship Liberty stores, opening in Boston, Philadelphia and possibly Chicago. Boston is due to open before Christmas
- Teams added to existing stores where space allows. This includes new teams and sales desks in the Flight Center brand, which is a 24/7 specialist airfare brand
- A transactional website launched for Liberty during the next few months; and
- Expansion in the range of unique product that Liberty and GOGO offer

“The corporate business will expand into at least two new cities later this financial year, giving it a 17-city presence in the world’s largest corporate travel market ...

“The US corporate market is estimated to be in the order of \$200billion per year – making it roughly 20 times the size of Australia’s corporate travel market.”

At today’s AGM, FLT chairman Peter Morahan announced his intention to retire during the course of the year.

“Over the coming months, I intend to finalise an appropriate timeframe to ensure a smooth and well managed succession from within the ranks of the existing board,” he said.

**ENDS Media and investor enquiries to Haydn Long + 61 418 750454**