

Macquarie Securities  
Australia Conference Presentation

**10 Things You Wanted to Know About FLT  
... But Were Afraid to Ask**

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# Overview of today's presentation

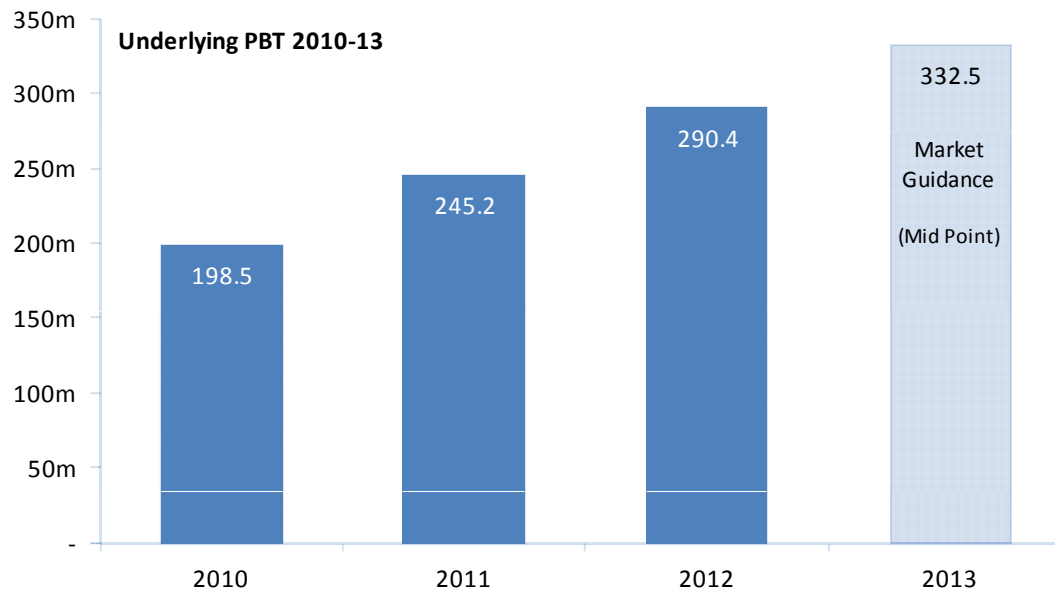


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# 1) Guidance



- ❑ Market guidance upgraded yesterday
- ❑ Now targeting underlying \$325m-\$340m PBT – previously \$305m-\$315m
- ❑ Will represent 12-17% growth on record 2011/12 PBT (\$290.4m)
- ❑ Guidance excludes unforeseen items that could arise
- ❑ All 10 countries profitable YTD – several on track for record EBIT
- ❑ Australia and UK again driving growth



**PBT has increased at an 18.8% CAGR since 2010**

## 2) Australia



- ❑ On track for another record profit and sales result
- ❑ Turnover up 9% YTD in market some competitors have described as “flat”
- ❑ Winning market-share in leisure and corporate travel
- ❑ Leisure rebound during 2H after underperforming corporate in recent years
- ❑ Cheap fares stimulating demand
- ❑ Focus on improving leisure productivity and developing unique product
- ❑ Some corporate clients down-trading, but TTV up YTD

## 3) The UK



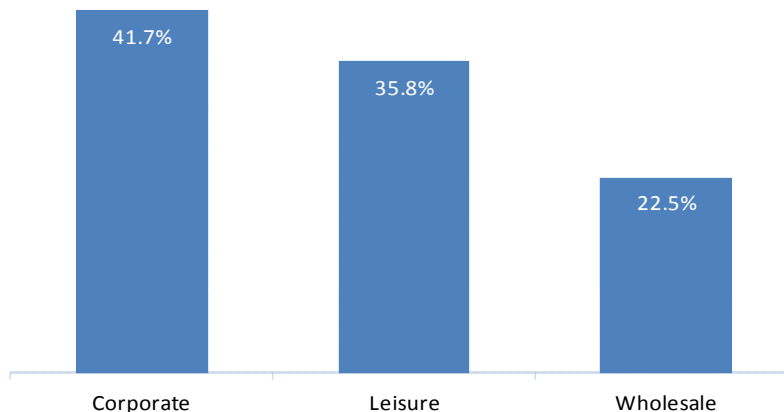
- ❑ **Main profit driver outside Australia and third largest sales generator (behind Australia and USA)**
- ❑ **Performing strongly in challenging economy and gaining market-share**
- ❑ **Subject to May-June trading, could surpass 2011/12 EBIT record by 30%**
- ❑ **Specialisation and hyperstore strategies working well in leisure sector**
- ❑ **Corporate clients down-trading but account wins offsetting effects**
- ❑ **Five-year plan in place to double UK TTV between 2012 and 2017**
- ❑ **Three new hyperstores planned for FY14 – London, Leeds, Bristol**

## 4) The USA



- ❑ On track for third consecutive profit – now targeting \$10m EBIT (in line with last year)
- ❑ Corporate outperforming leisure and wholesale
- ❑ Corporate footprint in 14 cities – expansion into 15<sup>th</sup> city (San Diego) set for next month and likely to enter Atlanta and Minneapolis next year
- ❑ Leisure goal is not to be mass market retailer – niche player similar to UK
- ❑ 1st US hyperstore (Madison Avenue) performing well after October opening
- ❑ Two new hyperstores planned for 2013/14 – Boston and Chicago
- ❑ Liberty acquisition generating product benefits elsewhere in the FLT business – a key acquisition rationale

US Turnover by business sector (YTD)



## 5) Blended travel



- ❑ Flight Centre is pioneering a new Blended Travel model
- ❑ Model recognises that customers have power to transact and interact when and how they want
- ❑ Website becomes a 24/7 booking channel (cyber twin) for FLT's agents
- ❑ Taking away customer "pain points" and giving online customers the benefits of access to FLT's expert "human search engines"
- ❑ Model developed and refined after studying and meeting overseas retailers that had successfully blended on and offline offerings
- ❑ Will allow customers to interact with FLT and its consultants in any channel at any time throughout the travel cycle
- ❑ Three implementation phases – Phase Two virtually complete for Flight Centre brand in Australia

# Blended travel milestones



KEY MILESTONES	STATUS	ELEMENTS
PHASE 1	✓	<ul style="list-style-type: none"><li><input type="checkbox"/> Pre and post booking processes blended</li><li><input type="checkbox"/> Customers able to enquire, pay and view itineraries online</li></ul>
PHASE 2	✓	<ul style="list-style-type: none"><li><input type="checkbox"/> More products and services available online</li><li><input type="checkbox"/> Published international fares, global hotels</li><li><input type="checkbox"/> Online access to human search engines</li><li><input type="checkbox"/> Consultant “chat” and “select” in place in some brands</li><li><input type="checkbox"/> Perfect Match and automated messaging being trialled</li></ul>
PHASE 3	WIP	<ul style="list-style-type: none"><li><input type="checkbox"/> Work continues on fully integrated model</li><li><input type="checkbox"/> Will ultimately allow customers to switch seamlessly between sales channels at any stage</li></ul>



# Consultant select – the human touch



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- ✓ We enjoy passing on our inside knowledge about airtfares, where to stay and general travel tips
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## Cost Breakdown

1 x Adults	AUD \$2543.14
Booking fee	AUD \$28.00
Merchant fee	<i>select payment type</i>
<b>†SUBTOTAL</b>	<b>AUD \$2571.14</b>

## 6) Corporate travel



- ❑ FLT one of few travel companies that mixes “business with leisure” on a large scale
- ❑ Award winning corporate offering – FCm judged world’s best TMC past two years
- ❑ Other brands include Corporate Traveller, cievents, Campus Travel, Stage & Screen
- ❑ Strong personal service ethic – dedicated account managers (not call centres)
- ❑ Sector now accounts for more than 30-35% of group TTV and likely to grow
- ❑ Targeting market-share gains globally (estimated share 20% in Australia)
- ❑ New products/initiatives being rolled out – Traveller Tools, “TMC of Tomorrow”
- ❑ Generally, income margin is lower than leisure but net margin is higher (more productive and lower cost model)



## 7) The Aussie dollar

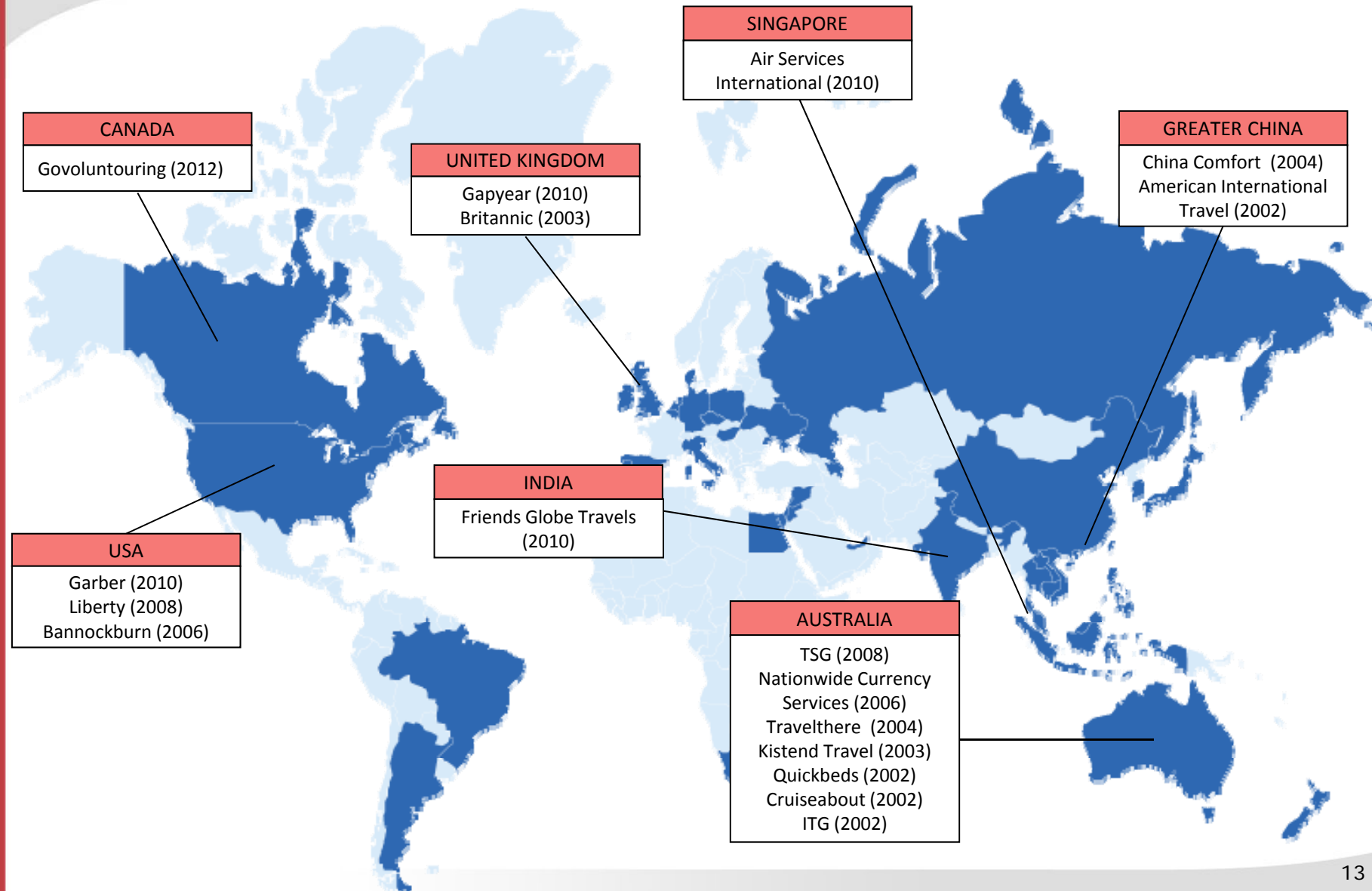


- ❑ No correlation between FLT's Australian results and a strong AUD
- ❑ Record results achieved when dollar traded at \$USD0.70 and below
- ❑ Cheap fares and consumer confidence are main leisure travel demand drivers – recent growth in US travel corresponds with era of cheap LA fares
- ❑ Travellers more likely to adjust “at destination” spending if dollar fluctuates – upgrade plans if dollar strengthens, downgrade plans if dollar weakens
- ❑ FLT aims to stimulate Australian domestic tourism – still the company's largest individual travel sector – but structural challenges to be overcome
- ❑ Strong AUD has also adversely affected overseas profit translation
- ❑ Expected US and UK profits this year will translate to circa \$AUD40m. Five years ago, these results would have translated to \$AUD55m

## 8) Expansion and acquisitions

- ❑ Shop and business network is currently growing about 6% per year
- ❑ Rate varies from country to country and from brand to brand
- ❑ Opportunities in all markets
- ❑ Development of blended leisure model not likely to affect shop growth in short-medium term
- ❑ Major focus is organic growth, but will consider strategic acquisitions from time to time (More than 20 acquisitions completed during past 15 years)
- ❑ Some vertical integration opportunities – at destination services etc – but no plans to operate flights or own hotels

# More than 20 acquisitions including:



## 9) Airfare prices



- ❑ International fares remain highly affordable – stimulating leisure demand
- ❑ FLT research during 1H showed that cheapest advertised fares to 10 popular international destinations were 25% cheaper than five years ago
- ❑ Year-on-year movement is, however, less consistent
- ❑ Lead-in fares to five of the top 10 international destinations were cheaper in Dec 11 than Dec 12
- ❑ Some discounting in premium fares to UK – competing carriers aggressively promoting offerings in response to Qantas-Emirates tie-up
- ❑ Chinese airlines increasing capacity in Australia

ROUTE	DEC 2007	DEC 2012	SAVING (%)
Sydney-Auckland	\$359	\$330	Down 8%
Sydney-Bali	\$999	\$642	Down 36%
Sydney-Bangkok	\$955	\$664	Down 30%
Sydney-Fiji	\$565	\$550	Down 3%
Sydney-Hong Kong	\$1039	\$797	Down 23%
Sydney-London	\$1595	\$1413	Down 11%
Sydney-LA	\$1539	\$1160	Down 25%
Sydney-New York	\$1765	\$1421	Down 19%
Sydney-Phuket	\$1079	\$794	Down 26%
Sydney-Singapore	\$1069	\$519	Down 51%

# 10) Capital management



- ❑ General funds (company cash) likely to be in excess of \$400m at 30 June 2013, leading to \$300m+ positive net debt position
- ❑ Normal tax instalment and final dividend payments will take funds below \$400m during 2013/14 1H
- ❑ Also considering retiring about \$30m in overdrafts and loans (Asia and Middle East corporate businesses)
- ❑ Re-investing in the business – full year cap-ex likely to be \$55m-\$60m
- ❑ Current dividend policy is to return 50-60% of NPAT to shareholders, subject to the business's needs
- ❑ Current intention is to create longer term shareholder value by focusing on dividend yields, rather than one-off returns

# By the numbers: 10 fast financial facts



- 14** FLT's ranking in the recent Australian Corporate Reputation Index
- 16** Times PBT has exceeded prior year in 18 years as a public company
- 17** (Years) Average tenure of FLT's Australia-based management team
- 20** (Percent) Growth in flightcentre.com.au's TTV YTD
- 30** (Percent) Visitors to flightcentre.com.au who come direct from mobiles
- 2500** FLT's likely shop and business numbers globally by June 30
- 16000** FLT's global workforce
- 150k** Number of air tickets issued in Australia each week
- 11.8m** Number of FLT shares that are currently on loan, despite record results
- 1.5b** 2017 UK TTV target in GBP



# End of presentation



Questions?