STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE – October 9, 2019

FLIGHT CENTRE TRAVEL GROUP ANNOUNCES STRONG GROWTH IN ONLINE LEISURE SALES AND OUTLINES LIKELY FY20 TRADING PATTERNS

THE Flight Centre Travel Group (FLT) has recorded strong growth in online leisure sales in Australia during the first quarter (Q1) of the 2020 fiscal year (FY20).

In a presentation at the Morgans Queensland conference, FLT managing director Graham Turner today revealed that online leisure sales in the country had doubled during the three months to September 30, 2019, despite a relatively challenging trading climate.

This followed strong online leisure sales growth in Australia and overseas during FY19, when the company generated a record $1.3billion in total transaction value (TTV) globally from its leisure branded websites and dedicated online travel agency (OTA) brands.

In today's presentation, Mr Turner also:

- Announced that TTV had continued to increase solidly across the group during Q1
- Outlined growth in other new and emerging leisure travel models in Australia
- Reaffirmed the company's plan to release FY20 profit guidance at its annual general meeting on November 7; and
- Provided preliminary details of FLT's likely trading patterns for the year, in light of challenging market conditions in Australia and some other key markets early in FY20 and given the company's comparatively stronger start to FY19

Rapid E-Commerce Growth in Leisure Sector

Mr Turner said the Jetmax OTAs, BYOjet and Aunt Betty, and flightcentre.com.au had together generated more than $250million in TTV during Q1 in Australia.

“The Aunt Betty and BYOjet businesses are trading strongly and together recorded 140% TTV growth in Australia during the quarter,” he said.

“flightcentre.com.au has also continued its trajectory since online booking fees were removed late in FY19 and delivered 65% Q1 TTV growth.

“This growth is predominantly coming from domestic travellers who are new to the Flight Centre brand, rather than from existing customers who are moving between sales channels, pointing to increased market-share over the period.

“While online sales represent a relatively small percentage of our leisure TTV, the growth we are recording is a positive sign, particularly when Australian trading conditions begin to recover, as demand for bigger ticket and more complex items that are typically booked in-store starts to improve and as our leisure network improvement strategies gain traction.”

Mr Turner highlighted the home-based agent/independent contractor sector, the ready-made holiday package market and specialist Flight Centre brand businesses as other emerging leisure travel opportunities. FLT last month increased its presence in the ready-made sector by taking 100% ownership of Gold Coast-based Ignite Travel and has announced plans to export the Ignite model to other FLT geographies.

In the corporate travel sector, where FLT has grown rapidly in recent years to consolidate its position as one of the world’s largest corporate travel managers, Mr Turner said the company had continued to perform well in early FY20 trading.

He said Europe was emerging as a key future growth driver for the corporate business, given the company’s expanding footprint on the continent.

“Europe is home to some of the world’s largest corporate travel markets and we now have company-owned businesses in key countries like France, Germany, Switzerland, the Netherlands, Sweden, Finland, Norway and Denmark.”

FY20 Outlook

Mr Turner outlined the company's likely trading patterns for the year in light of the volatility experienced during FY19 and ahead of releasing more detailed FY20 profit guidance at its annual general meeting on November 7.

He said while TTV was again increasing solidly early in the year, underlying profit would be below the prior corresponding period (PCP) during the H1 and was likely to be heavily weighted towards the second half (2H) of FY20. Stabilisation was expected during Q2 after a challenging Q1.

Contributing factors included:

- Comparatively strong results during the first four months of FY19. Trading conditions and results deteriorated significantly in Australia, particularly within the leisure business, in November and December of 2018 and have remained subdued, meaning Q2 was likely to provide a more meaningful result comparison
- Unrest and uncertainly, which has slowed profit growth in other geographies that have become material earnings contributors. Examples included the United Kingdom (Brexit) and the United States (safety concerns in the Dominican Republic impacting travel to a key destination for the US leisure business)
- Increased costs early in FY20. As announced previously, FLT introduced a new wage model in October 2018 and paid an additional $4.2million in wages to its leisure sales people in Australia during the FY20 Q1. The company has also incurred increased consultancy costs early in the year, while various operational and strategic reviews that were initiated late in FY19 have been underway
- Lower than expected profits from the emerging in-destination businesses; and
- Lower interest earnings, reflecting lower yields in Australia, and higher interest repayments, given that FLT has used debt to fund recent acquisitions

Thomas Cook's high profile collapse in the UK had a minimal impact on FLT and its customers, but the company expected to incur in the order of $7million in costs associated with its decision to ensure its customers were re-accommodated and not adversely affected by the collapse of Bentours and Tempo Holidays in Australia. FLT currently expects to separate these costs from its underlying FY20 results.

Mr Turner said while TTV was increasing in Australia the company had not yet seen tangible benefits flowing from recent interest rate cuts and tax refunds and that any benefits were more likely to be seen later in FY20, assuming consumer confidence improved ahead of the year's peak booking periods for longer haul holidays.

FLT achieved a record $23.7billion in TTV during FY19 and delivered an underlying $343.1million underlying profit before tax (PBT).

Result highlights during FY19 included:

- Continued out-performance in the corporate travel sector globally
- Record contributions from FLT's international businesses, with the Americas becoming the first business outside of Australia to deliver a $100million PBT; and
- Record dividend payments to shareholders totalling $310.2million or $3.07 per share (fully franked)

ENDS: Media & investor enquiries to haydn_long@flightcentre.com, + 61 418750454