



STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE – February 7, 2020

**FLIGHT CENTRE TRAVEL GROUP PERFORMING IN LINE WITH EXPECTATIONS BUT
MONITORING CORONAVIRUS IMPACTS ON EARLY SECOND HALF TRADING**

Key Points

- Underlying first half (1H) profit before tax (PBT) likely to be slightly above the mid-point of guidance (\$90million-\$110million) for the period
- Record sales – circa 11% total transaction value (TTV) growth in challenging global trading conditions – pointing to market-share gains
- Coronavirus affecting early 2H travel patterns, particularly in Asia – too early to judge full year impact but will make it more difficult to achieve 2020 fiscal year (FY20) guidance
- As announced previously, statutory 1H PBT will be lower than underlying 1H result and will include adjustments for Topdeck impairment (confirmed today), supplier collapse, Upside investment, accounting standard changes

THE Flight Centre Travel Group (FLT) today updated the market in relation to its 1H results and its FY20 outlook.

The update comes as the company continues to monitor the coronavirus's impacts on its Greater China and Singapore corporate travel businesses in the near-term and its potential impacts on broader leisure and corporate travel patterns in the upcoming months, which are traditionally the year's peak booking periods.

Although FLT has achieved record TTV and an underlying PBT slightly above the mid-point of its targeted range for the six months to December 31 2020 (\$90million-\$110million), the virus's emergence has inevitably made it more difficult to deliver the strong 2H earnings weighting implied in full year guidance (\$310million-\$350million).

Coronavirus Impact Being Felt in Asia

Managing director Graham Turner said, while it was too early to predict the virus's overall impact, it had already adversely affected FLT's small corporate travel operations in China, Singapore and Malaysia, which together generated about \$625million in TTV during FY19 (about 2.5% of group TTV).

He said other areas that could be affected in the upcoming months included:

- Corporate travel: A number of companies across all geographic regions have amended their travel policies to prevent travel to China and, in some cases, other countries in the near-term
- Leisure travel: While the virus has largely been contained within China to date and has not yet significantly affected demand for travel to other countries, travellers could potentially alter travel plans in the coming months if larger scale outbreaks were detected elsewhere in the world; and
- Cross Hotels and Resorts: FLT does not manage any properties in China, but Chinese outbound travellers are a key target market for the company's hotel management business. Cross manages 24 properties in Thailand, Bali and Vietnam

"It is impossible to predict the virus's impact on our business or on leisure and corporate travel in general at this early stage, but it will impact travel patterns to some degree in the near-term," he said.

"To date, the impact has largely been felt in our Greater China corporate travel businesses, given that business activity and the country's inbound and outbound travel sectors have temporarily shut down as part of the focus on containing the virus.

"Within this challenging environment, we are taking steps to ensure we can meet our customers' needs while also minimising the impact on the business on Mainland China and in Hong Kong by encouraging our people to take leave over the next few weeks, while the outlook remains uncertain.

"By preserving our workforce in China during this uncertain period and carefully managing our cost base, we will be well placed to capitalise on any rebound in the travel sector when the situation improves."

FLT will release 1H accounts on February 27, 2020 and will continue to monitor developments.

1H Trading Update

In relation to 1H trading, the company expects to report an underlying PBT between \$100million and \$105million for the six months to December 31, 2019, slightly above the mid-point of its targeted range for the period.

FLT will also report strong 1H sales, with TTV increasing 11.1% globally to a record \$12.4billion and surpassing previous TTV milestones in all geographic segments (Australia/New Zealand, Americas, Europe, Middle East and Africa and Asia).

This TTV growth rate is the company's strongest 1H trajectory since FY16 and is comfortably above FLT's longer term target of 7% annual TTV growth.

In superior trading conditions during the previous corresponding period, FLT achieved a \$140.4million underlying PBT and delivered \$11.16billion in TTV, which was the previous record for the period.

As outlined at FLT's AGM, FY20 1H results have been adversely impacted by various world events that have affected global travel patterns and contributed to the high profile collapse of Thomas Cook and several smaller operators.

These events have included Brexit, trade wars, unrest in Hong Kong, a safety-related downturn in travel to the Dominican Republic, a key market for the US leisure business, and a relatively subdued consumer environment in Australia.

Adjustments to Underlying 1H PBT

As announced previously, FLT's underlying 1H PBT will exceed the company's statutory result for the period.

Adjustments to underlying PBT will include:

- A \$46.4million impairment charge relating to the London-based Topdeck Touring Business, which has under-performed recently. This non-cash adjustment, which was confirmed today, relates to goodwill, brand names and other intangibles
- About \$7million in non-recurring costs associated with FLT's voluntary decision to reaccommodate customers who would otherwise have lost their money as a result of the collapse of wholesalers Tempo and Bentours in Australia and New Zealand
- Development costs associated with the company's investment in Upside, a US-based SME corporate business with a strong technology offering that FLT will incorporate into its Corporate Traveller brand in the Northern Hemisphere. The majority of these costs, which amounted to \$5.4million during the 1H, would be capitalised if FLT controlled the business
- A \$3.1million non-cash accounting adjustment (loss) to reflect changes in the fair value of the company's initial investment in the Ignite business, which FLT took 100% ownership of during the 1H; and
- A non-cash accounting adjustment (loss) in the order of \$2million brought about by FLT's transition to the new AASB16 leasing standard

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

This announcement has been authorised by Graham Turner, Managing Director, Flight Centre Travel Group Limited.