CHAIRMAN'S ADDRESS, by Gary Smith

FY23 Result Overview

In an improved trading environment during the 2023 fiscal year (FY23), we delivered material uplifts in total transaction value (TTV), profit and other key financial metrics.

As you can see on this slide, TTV more than doubled year-on-year to $22billion, while underlying earnings before interest, tax, depreciation and amortisation (EBITDA) reached $301.6million – a circa $485million year-on-year turnaround. On a profit before tax (PBT) basis, we achieved an underlying $106million profit and a $70million statutory PBT.

This strong profit recovery was underpinned by significant leisure and corporate rebounds, particularly after governments globally removed travel restrictions.

Financial highlights included:

- The 112% TTV uplift, which delivered our 2nd best full year result behind only FY19
- Margin improvement, highlighted by a 70 basis point revenue margin improvement and a record-low 9.6% underlying cost margin; and
- Solid cash generation and cash flow, which paved the way for ongoing investment in key growth drivers, a fully franked 18 cents per share final dividend and further capital management initiatives early this fiscal year

As expected, results were heavily second half (2H) weighted, with almost 70% of underlying group EBITDA generated during the six months to June 30. This reflects normal seasonality – key booking periods typically occur during the 2H of a fiscal year – and improved market dynamics, specifically airline capacity growth and fewer restrictions, as the year progressed.

During FY23, FLT successfully executed its key global strategies, as outlined on this slide.

Key outcomes included:

- Maintaining a lower cost base – operating expenses were circa 75% of FY19 levels
- Higher productivity, with TTV per full time employee increasing by 52% compared to FY19; and
- Converting 38% of incremental revenue growth group-wide to underlying EBITDA, with leisure and corporate converting at 47% and 41% respectively

Comfortably Outpacing Industry Recovery in Global Corporate Travel Sector

Our corporate business continued to out-perform, comfortably out-pacing broader industry recovery and delivering a record $11billion in TTV. This represented 96% year-on-year growth and an almost 25% increase on the previous TTV milestone (FY19: $8.9billion), with new records established in all four geographic regions – the Americas, Australia-New Zealand, Europe, Middle East and Africa (EMEA) and Asia.

Growth was again driven organically through high customer retention rates and a large pipeline of account wins – which were the two key objectives of the Grow To Win strategy that was initiated at the start of the pandemic.

In the large market sector, FCM secured new, contracted accounts with annual spends in the order of $1.6billion from other travel management companies. More than half of Corporate Traveller's wins (uncontracted) in the SME sector were previously unmanaged.

Underlying corporate EBITDA reached $190million, a circa 3000% improvement on the prior year despite a significant pre-investment in people to win accounts, design and implement travel programs and onboard and service large volumes of new business. We also invested significantly in our leading proprietary tech suite with:

- New features added to the FCM Platform, which is now in use by more than 2700 multinational customers in 86 countries; and
- Corporate Traveller's Melon platform now being used by more than 1700 SME customers in North America and the United Kingdom (UK)

Leisure: Transformed Business Recovering Rapidly

Leisure TTV increased 162% to $10billion at improved revenue and cost margins. This margin improvement helped drive a more than 200% underlying EBITDA increase to $172million, with all four business categories – Mass Market, Independent, Luxury and Complementary – profitable for the year.

Following a major transformation, initiated pre-pandemic and fast-tracked during the crisis, leisure has re-emerged with a leaner cost base and a scalable brand and channel stable.

A number of these brands and channels delivered record TTV including:

- The online businesses, which contributed circa $1.6billion in TTV – more than double the $750million FY22 contribution
- The independent category – TTV more than tripled globally to $1.5billion; and
- The luxury collection, which includes the Scott Dunn and Luxperience acquisitions

To acquire Scott Dunn, we initiated a $180million institutional placement and a $40million Share Purchase Plan (SPP) for our shareholders. While the SPP was ultimately upsized by 50% to $60million, following very strong interest, a significant scale-back was still required.

Once again, we thank you – our shareholders – for your support.

Focus on Improving Shareholder Returns – New Capital Management Policy in Place

Our balance sheet remains strong, as highlighted on this slide, which shows almost $1.4billion in cash and investments at year-end.

Given this strong position, the directors returned almost $40million to shareholders via the fully franked 18 cents per share dividend that I referred to earlier. This was our first dividend for four years and it took total shareholder returns related to the year to a healthy 10.8%, when combined with our $1.69 share price increase from $17.36 to $19.05 during FY23.

Improving shareholder returns is a priority as our recovery gains momentum.

In addition to this dividend payment, we have initiated a new capital management policy designed to create shareholder value by using free cash flow to:

- Re-invest in the business to drive longer term growth through capital expenditure and, where appropriate, mergers and acquisitions (M&A); and
- Deliver ongoing benefits via a combination of dividends and share or convertible note buy-backs to reduce future dilution and increase earnings per share

Under this policy, which is summarised on this slide, we intend to allocate 50-60% of net profit after tax to dividends or capital management initiatives from this year, subject of course to the business's anticipated needs at the time.

In addition to introducing this policy, we recently bought back notes with a $75million face value – an opportunistic move to capitalise on an undervalued share price. We will continue to evaluate opportunities to reduce our remaining note balance in the short to medium-term.

Ongoing Investment in Key Growth Drivers

While we are focussed on maintaining a structurally lower cost base, we are also committed to investing in key areas that will deliver stronger future returns.

Last year, for example, we invested significantly in:

- People – we are now fully staffed in corporate and recruiting normally in leisure
- Our diverse, global leisure and corporate networks as we reopened hibernated shops, brought new products to market and, in some instances, rolled out new offerings in growth sectors like Meetings & Events, cruise and foreign exchange; and
- Technology to enhance productivity, the customer experience and to reduce costs

Cyber security and data protection are at the forefront of our thinking. We have built and retained strong internal capabilities and have augmented this with specialist, external expertise, as we have developed and finetuned our systems and response plans.

Group-wide, we are driving innovation by investing in new ways to deliver a better customer experience and achieve our sales and savings objectives, leveraging Artificial Intelligence (AI), machine learning and robotic process automation (RPA). To ensure responsible use of AI, our efforts are overseen by our AI Governance board, which is headed by Kirsty Rankin.

A Generative AI Centre of Excellence is now in place to centralize our development and deployment of AI-related innovations. Our first outcome of this effort, a ChatGPT-powered, private content creation tool in the FCM Extension product, is illustrated on this slide and begins customer activation this month.

To give you an example of its possible uses, customers can dynamically generate a list of Top-10 activities in key cities, totally customized to their preferences, instead of having to manually input and maintain a list.

Our leisure business is also trialling several initiatives, using Generative AI technology, to improve consultant productivity and customer experience.

For example, we have deployed AI-based travel recommendations to customers to capture a greater share of wallet and increase the number of components across our digital itineraries. In addition, we have enabled a secure and intelligent plugin for agents, allowing them to use the technology as part of trip planning.

Today, I would like to update you on our progress in another very important area of investment and focus - sustainability and ESG (environmental, social and governance).

Throughout FY23 we broadened our ESG approach to ensure engagement across our key focus areas – our people, suppliers, industry partners and customers. Our key achievements were outlined at our full year in August and again on this slide.

We have also developed sophisticated tools for corporate customers including:

- Comprehensive carbon reporting within travel programs that we tailor for them
- Offset programs through Trees4Travel
- Point-of-sale details of the carbon impact of flight and rail options within our proprietary booking tools and within third party products; and
- FCM Consulting services to help customers track and set sustainable travel goals

In terms of reporting on our targets and achievements, we are now working on our first sustainability report post-COVID and, through an internal working group, we are evaluating requirements in light of the International Sustainability Standards Board's new disclosure standards, which will apply from FY25. We also plan to reduce Scope 1 and 2 emissions, under the Science-Based Targets Initiative, and currently await validation of our plans.

Before handing over to Skroo, I'd like to thank a number of people and groups for their invaluable contributions to our recovery.

Firstly, our people – our expert travel advisors and support teams continue to work tirelessly to create and deliver a compelling customer offering.

While we don't typically talk about honours that we win, our people are instrumental to our success at events like the World Travel Awards. In 2023, our company-owned businesses and corporate licensees won nearly 30 World Travel Awards including leisure honours in the major countries that we operate in and flagship, regional corporate titles for North America, Europe, Asia and Oceania.

We are also in the running for the major global awards in the corporate (FCM), leisure (Flight Centre brand) and luxury (Scott Dunn) sectors later this week.

Secondly, my fellow directors, who continue to provide invaluable guidance and oversight.

Thirdly, our senior leadership team, which is headed by Skroo and now includes the leader of our Asia business, Bertrand Saillet, and our head of People & Culture, Lincoln Turvey, who was introduced earlier.

On that note, I now invite Skroo to address the meeting in relation to the current year.

This announcement has been authorised by Flight Centre Travel Group Limited's Board