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FLIGHT CENTRE TRAVEL GROUP™

STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE – February 28, 2024

FLIGHT CENTRE TRAVEL GROUP RELEASES FIRST HALF RESULTS

Key Points

15% TTV Growth To $11.3b – highlighting FLT's diversity & travel's resilience

- ✓ 2nd best start to a year (behind FY20) – travel out-performing other "discretionary" areas
- ✓ Record corporate TTV in sector that has only recovered to circa 70% of pre-COVID volumes

Significantly improved margins – key strategies executed & gaining traction

- ✓ 130bps revenue margin improvement to 11.4%
- ✓ Cost margin well below historic levels (just under 10%) & set for further reductions
- ✓ Underlying PBT margin just below 1% – best 1H result for five years

Strong profit uplift group-wide with leisure now exceeding pre-pandemic profitability levels

- ✓ 565% underlying PBT increase to $106million, with statutory PBT up 756% to $120million
- ✓ Leisure profit double FY19 1H & 950%+ improvement on FY20 1H

Circa $425million investment in the balance sheet & shareholder value creation

- ✓ Almost $365million used to reduce bank debt, overdraft facilities & buy-back CNs
- ✓ $62million return to shareholders via FY23 final & FY24 interim dividends (declared today)

Performing in line with expectations

- ✓ Encouraging start to FY24, with normal, seasonal uplift in January & February activity
- ✓ Trading expectations unchanged but FY24 guidance increased to reflect removal of CN amortisation from underlying results

Result Overview

FLIGHT Centre Travel Group (FLT) achieved a $106million underlying profit before tax (PBT) for the half year to December 31 2023.

The strong underlying result represents a $90million – or 565% – increase on the previous corresponding period (PCP), when FLT achieved a $16million underlying PBT.

The leisure business's $60million underlying PBT exceeded pre-pandemic levels and was:

- Circa 30-times the $2million FY23 first half (1H) result; and

- Double the $30million FY19 1H underlying PBT

Underlying corporate PBT increased 53% to $93million, during another period of healthy, organic growth and ahead of the Productive Operations initiative's benefits being realised.

FLT's statutory* PBT increased 756% to $120million (PCP: $18million loss), while underlying earnings before interest, tax, depreciation and amortisation (EBITDA) almost doubled to $189million (PCP: $95million). A bridge between underlying and statutory PBT has been included at the end of this announcement.

The company's strong 1H profit recovery was underpinned by:

- Solid sales growth in an uncertain macro-economic and geopolitical climate, an achievement that has again highlighted FLT's and the sector's resilience; and
- Significant margin improvement as key strategies gained traction, leading to an underlying 1H PBT margin just under 1% - its highest 1H level for five years and in line with the FY23 2H, a promising sign given margin's normal heavier 2H weighting

Total transaction value (TTV) increased 15% to $11.3billion, delivering FLT's second strongest start to a year (behind only the FY20 1H).

Corporate TTV increased 16.8% to a record $5.9billion, as the business again achieved new sales milestones and comfortably outpaced the broader corporate travel sector's recovery.

Leisure TTV increased 18% to $5.2billion, with scale benefits being achieved across a diverse mass market, luxury, complementary and independent brand range.

Airfare price deflation affected FLT's overall TTV growth rate, with average international fares in Australia decreasing 13% during the three months to December 312023 (compared to the PCP) and circa 7% globally during the 1H. FLT welcomes these decreases and expects gradual volume increases as fares become more affordable for families in particular.

Revenue growth – at 28% - comfortably exceeded TTV growth, delivering a130bps revenue margin (RM) increase underpinned by improved supplier margins and strategic initiatives implemented to capture a larger share of wallet through increased attachment (components per booking), ancillary sales and new product and service offerings.

Underlying cost margin (excluding touring cost of sales) was just under 10%, well below historic highs and with the prospect of further near-term improvement driven by:

- Productivity growth as corporate's Productive Operations initiative gains momentum and as rapidly growing, highly scalable leisure models capture a larger share of TTV
- A group-wide focus on operating leverage – ensuring that revenue growth outpaces cost growth. This will be aided by the creation of a Global Business Services area to help deliver cost and productivity efficiencies
- The recent closure of loss-making United States (US) wholesaler GoGo, which incurred $7.3million in non-recurring 1H losses; and
- Turnaround opportunities in the cycle joint venture (Pedal Group) and the travel services businesses (Touring, Hotel Management and Destination Management)

While FLT has retained its cost focus, it has continued to invest in key growth drivers including its brand network, product offerings and platforms.

1H capital expenditure was $49million and weighted towards technology and systems, to enhance productivity and the customer experience.

In corporate, FLT has ramped up its investment in productive operations and should start to see more tangible returns on these investments during the 2H. As part of its plan to create a single operating system, the company will retire various legacy systems during the upcoming months to create further cost and efficiency benefits.

In leisure, FLT continued to enhance its omni channel capabilities and took steps to grow sales via digital channels by giving customers:

- The ability to book flights from "Anywhere to Anywhere" online, as well as cruise
- Access to airlines' NDC (New Distribution Capability) offerings via TP Connects; and
- A broader product range via the mobile app, including car hire and packages

Airfare aggregator TP Connects is a key part of FLT's plan to improve access to airfares that are not currently available through traditional GDSs and unlock new external revenue streams. Direct NDC connections are now in place and at various stages of development with circa 15 airlines globally and significant further growth is expected by June 30.

Other key investments included:

- New wholesale and retail cruise businesses (Cruise HQ and Cruiseabout) to capture a greater share of this booming sector, which is a long-term strategic priority
- A new brand, Envoyage, consolidating FLT's expanding global network of independent agents and agencies – another long-term strategic priority

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- Travel Money's new Click & Collect and Click & Deliver currency services; and
- Expansion of the luxury leisure collection, which is also a longer-term strategic priority. This collection currently includes Travel Associates and the recently acquired Luxperience and Scott Dunn businesses

Scott Dunn opened in New York during the 1H, giving it a US east and west coast presence. The business overall continues to trade in line with expectations and will generate the bulk of its FY24 profit during its peak 2H booking periods.

FLT has also invested almost $425million in capital management initiatives, including a fully franked 10 cents per share FY24 interim dividend (declared today), to reduce future dilution, interest expense and improve shareholder returns.

The $22million interim dividend – payable on April 17 to shareholders registered on March 27 – follows the $40million FY23 final dividend (paid 1H) and comes after FLT bought back convertible notes (CNs) ($84million), repaid bank debt ($250million) and decreased overdraft facilities ($28million). Overall liquidity has been maintained with both the bank debt and the overdraft able to be redrawn if required.

The company retained a strong balance sheet during the pandemic and is working now – as cash generation accelerates – to solidify its position by reducing debt or the outstanding CN balance, while maintaining its ability to capitalise on growth opportunities. This accelerated cash generation reflects normal operating cash flow seasonality, with FLT typically recording a modest 1H operating cash inflow, followed by a larger 2H inflow as cash accumulates more rapidly during the peak 2H booking periods.

FLT has also agreed to extend its $350million debt facility, which includes the $250million in undrawn funds, through to April 2026. This unsecured facility is on better commercial terms, with restructured covenants providing additional flexibility and headroom.

Comments from managing director Graham Turner

"At a time when discretionary budgets are typically tightening, travel remains an outlier and a priority spend for many. We are seeing ongoing solid demand for leisure and corporate travel, leading to our second strongest start to a year in TTV terms and accelerated activity in January and February, ahead of our busiest trading months.

"Within our businesses, key strategies are gaining traction and driving margin improvements, which is leading to stronger profits and shareholder returns.

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"Our corporate business, which has been heavily growth focussed since the start of the pandemic, has continued to grow rapidly – well above the industry's recovery rate – while also targeting efficiency gains. In leisure, profits and margins are now comfortably above comparative pre-COVID levels, with the prospect of further productivity-driven improvement.

"We have capitalised on our current strength by investing $425million in capital management initiatives, including fully franked dividends for our shareholders, while also strengthening our systems and tech platforms and fast-tracking growth of emerging businesses that should become significant future profit generators.

"Looking ahead, we are well placed for the full year as we approach our busiest trading months. We have good momentum and early 2H trading has been strong.

"Positive lead indicators have also emerged, with international capacity expected to be almost back to pre-pandemic levels in Australia by the end of FY24 and airfare prices decreasing – by an average of 13% in Australia recently and about 7% globally over the 1H.

"We are comfortable with our amended FY24 guidance and expect to make significant progress towards our underlying PBT margin target. We strongly believe we are a 2% business and are working very hard to reach that level by the end of FY25, but without adopting a short-term approach that will hinder either our longer-term ambitions and future growth prospects or our ability to maintain margins at that level."

Comfortably Outpacing Industry Recovery in Global Corporate Travel Sector

The corporate business's proven organic growth model again delivered record overall sales as well as new milestones in its four regions of Australia-New Zealand, the Americas, Europe, Middle East and Africa and Asia.

These record results, built on high customer retention rates and large volumes of new account wins, were achieved in a sector that has recovered to circa 70% of pre-COVID transaction volumes (Source: MIDT data). At the end of January 2024, the corporate brands had secured new accounts with projected annual spends of circa $1.3billion, with FCM typically winning customers from competitors and Corporate Traveller securing a mix of unmanaged and smaller, managed accounts.

As outlined previously, underlying corporate PBT increased 53%, with improved revenue and cost margins leading to a 1.6% underlying PBT margin (FY23 1H: 1.2%).

Since the start of the pandemic, the business has been working towards clear and consistent strategies focused on growth (Grow to Win), at a time when competitors were downsizing, and productivity through Productive Operations, an initiative centred around:

- Building a single global operating system for the two major brands, Corporate Traveller and FCM, that drives activities through the most appropriate channel; and
- Lowering costs and growing income, while delighting customers through a combination of automation and personal service

Priorities include digitisation and standardisation of operations, enabling self service capabilities through mass adoption of the proprietary Melon and FCM platforms, which are both seeing strong uptake, and content access and distribution.

As part of this, the business is investing in artificial intelligence (AI) to improve customer experience and productivity following the creation of its AI Centre of Excellence. This includes new features in the FCM Platform to structure off-channel bookings through AI and the ability to more accurately route customer enquiries using AI-based intent recognition from emails and customer chats.

Leisure Business Achieving Economies of Scale and Exceeding Pre-COVID Profit

The leisure businesses generated 46% of group 1H TTV and achieved a strong profit turnaround during the period.

Together, the Complementary, Luxury and Independent categories – highly scalable businesses that have been earmarked as future growth drivers – generated 45% of 1H leisure TTV at year-on-year growth rates of 50%, 44% and 29% respectively. Travel Money's TTV more than doubled, with online travel agency Jetmax delivering a 75% TTV uplift.

Online TTV (Mass Market and Complementary categories) reached $830million, including major contributions from flightcentre.com, the Jetmax businesses and StudentUniverse.

Leisure revenue growth – at 33% - significantly outpaced TTV growth, leading to a140bps RM increase to 12.1%. Factors contributing to this RM improvement include further recovery in international travel, which is typically higher margin, and increasing attachment (components per booking) and ancillary product sales.

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Within Flight Centre's global shop network, the average booking now has 2.6 components, compared to 2.2 in December 2022, with the Captain's Pack being attached to more than 60% of in-store bookings globally.

Underlying PBT margin improved from 0.05% to 1.2% half-on-half, as scale benefits were achieved and as all four leisure categories traded profitably during the seasonally softer 1H.

Outlook

After four years of disruption and then gradual recovery, 2024 is set to be a watershed for travel with various industry bodies, including IATA, predicting that the new calendar year will surpass 2019 as the busiest 12 months ever for travel.

FLT is well placed to capitalise on any further recovery in global travel demand given its:

- Diverse brand stable across both the leisure and corporate sectors
- Strong customer value propositions (CVPs) and supplier relationships; and
- Proven ability to weather macro-economic challenges and grow TTV year-on-year

Travel is a highly resilient sector, as evidenced by the 5.9% compound annual growth rate in Australian short-term resident departures between 1979 and 2019, before travel was grounded early in 2020 (Source: Australian Bureau of Statistics). Had this long-term growth rate continued to 2023, an extra 4.2million Australians would have travelled overseas last year – a statistic that underlines the industry's potential upside in the years ahead.

Ongoing solid travel demand has been aided by continued low unemployment in key markets and a desire among regular travellers to make up for lost time after lockdowns (revenge travel). The FLT brand network's well-defined CVPs have also resonated with cost-conscious customers in an inflationary environment and will be relevant to more travellers now airfare prices have finally started to decrease.

In terms of FY24 outlook, FLT starts the 2H with good momentum after a solid 1H and with its strongest trading months to come. Early 2H results are in line with expectations, with TTV currently on track to surpass the record $23.7billion result achieved during FY19 as leisure customers continue to prioritise travel and as the corporate business continues to win accounts to more than offset lower overall customer spend.

Given that the business continues to trade in line with expectations, there is no change to the financial outlook previously provided to the market. FY24 guidance has, however, been

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amended to reflect a change in the measurement of non-cash CN amortisation expense following the partial CN buy-back in October 2023.

The non-cash change is unrelated to trading performance, but will see FLT increase its targeted FY24 range from an underlying PBT between $270million and $310million to an underlying PBT between $300million and $340million. For ease of comparison, FY23 PBT has been restated on the same basis.

By making this adjustment, FLT will effectively remove the impact of fluctuating CN amortisation from underlying results and will provide investors with a truer picture of trading performance while the CNs remain outstanding. The notes' actual costs (coupons/interest) will continue to be included in underlying expenses.

The mid-point in FLT's new FY24 range, $320million, represents a 130% improvement on the adjusted $138.8million FY23 result and implies a 33%-67% underlying PBT split between the first and second halves, in line with FLT's normal expectations.

This earnings skew is expected to be driven by normal seasonality – leisure and corporate TTV and profit are both traditionally 2H-weighted, as are leisure revenue margins and productivity – and operational enhancements that are underway to reduce costs or improve efficiency (outlined as "key cost margin improvement drivers" on page 3).

FLT also expects further strong returns from businesses and brands that are rapidly gaining scale and becoming significant growth and profit engines. These businesses include:

- The Asian corporate business, which delivered record 1H underlying EBITDA
- The Independent agent and agency business, which now operates as Envoyage
- Travel Money, which is operating at significantly higher margins than pre-COVID
- Travel Associates and Scott Dunn, businesses that are already delivering profit margins well above leisure's longer-term target; and
- Ignite (MyHolidays), another business that is already delivering high margins

ENDS: Media & investor enquiries to haydn_long@flightcentre.com, + 61 418 750454

Additional information: A webcast for investors will be held from 9.45am.AEDT (8.45am Queensland time).today. The webcast can be accessed via the following link: https://webcast.openbriefing.com/flt-hyr-2024/

*FLT's $120million statutory 1H PBT included a $48million non-cash gain related to the buy-back and remeasurement of CNs. This gain was partially offset by one-off or non-recurring items totalling circa $34million, leaving the company with a $106million underlying 1H PBT. These items included a $16million non-cash amortisation expense related to the CNs, $7.3million in non-recurring losses from the GoGo business, which FLT has now closed, $8.6million in expenses related to the company's COVID-related retention plans (now in their final year) and $2million in expenses related to corporate's productive operations initiative. Further detail on FLT's expectations for these items over the full year has been included in the half year result presentation that was lodged today.

FLT's board of directors has authorised this announcement

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