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STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE – August 28, 2024

FLIGHT CENTRE TRAVEL GROUP RELEASES FULL YEAR RESULTS

Highlights

- ✓ **Record total transaction value (TTV) of $23.74billion**: Just above FY19 and circa $1.8billion year-on-year (YOY) increase
- ✓ **Material profit recovery:** 131% underlying profit before tax (PBT) increase to $320million, 212% statutory PBT increase to $220million. Leisure profit more than doubled YOY and at highest levels since FY14
- ✓ **1.35% underlying profit margin (UPM)**: 72 basis point (bps) YOY improvement, driven predominantly by 100bps revenue margin uplift, and with strong leisure & corporate run-rates of above 2% into FY25
- ✓ **Productivity gains:** New TTV milestone established with 63% of FY19 workforce, record corporate TTV with fewer people
- ✓ **Strong cash generation**: Record $421million operating cash inflow
- ✓ **Almost $450million in capital management initiatives undertaken**: Bank debt and overdrafts decreased, Convertible Notes (CNs) bought-back, increased dividends for shareholders
- ✓ **Additional $66million to be returned to shareholder early in FY25**: Fully franked 30cents per share FY24 final dividend declared today (to be paid in October 2024)
- ✓ **Positive Outlook:** Well-placed to capitalise on opportunities in a normal growth market during FY25 with strong brand network, strong balance sheet and improving margin profile. Specific guidance to be provided at AGM in November

Result Snapshot

	FY24	FY23
SALES		
TTV	$23.74b	$22b
Revenue	$2.71b	$2.28b
PROFIT		
PBT (U)	$320m	$139m
PBT (A)	$220m	$70m
NPAT (U)	$230m	$109m
NPAT (A)	$139m	$47m
MARGIN		
Revenue (U) *(Rev as a % of TTV)*	11.4%	10.4%
Cost (U) *(Underlying costs – excluding touring cost of sales – as a % of TTV)*	9.6%	9.5%
PBT *(Underlying PBT as a % of TTV)*	1.35%	0.63%
SHAREHOLDER RETURNS		
EPS (earnings per share)	63.7c	23.1c
DPS (dividends per share)	40c	18c
TSR (total shareholder returns)	8%	10.8%

**U = Underlying , **A = Actual*

Result Overview

FLIGHT Centre Travel Group (FLT) has delivered a $320million underlying PBT for the 2024 fiscal year (FY24).

The result is a 131% increase on the $139million FY23 result and is at the mid-point of FLT's guidance range (underlying PBT between $316million and $324million).

Statutory PBT for the 12 months to June 30 2024 increased 212% to $220million, compared to $70million during the prior corresponding period (PCP). Profit adjustments are listed at the end of this announcement and are as outlined previously, apart from a $10.7million loss in Australia as a result of airline Rex entering administration.

After tax, FLT delivered a $230million underlying result, 111% growth on the prior year, and a $139million statutory net profit after tax (NPAT), up 194% on FY23.

TTV reached a record $23.74billion, slightly above the $23.7billion FY19 result and a circa $1.8billion YOY increase, with both the leisure and corporate businesses delivering more than $1billion YOY growth and corporate achieving another record.

FLT's overall TTV growth rate was, however, adversely affected by:

- Significant airfare deflation, with average international economy fares sold in Australia during the second half (2H) 13% cheaper than during the PCP. This deflation was partially offset by volume growth, with ticket sales increasing 10% during the same period, and increased basket sizes in various leisure brands
- Business closures – Together, the Indian wholesale foreign exchange (FX) business (closed June 30, 2023) and US-based wholesaler GoGo (closed FY24 2H) contributed an additional $430million to FY23 TTV. This was partially offset by Scott Dunn's additional $140million FY24 TTV contribution (acquired FY23 2H); and
- A flat trading climate in the corporate sector globally late in the year, with industry-wide airfare sales data (MIDT – Market Information Data Transfer) pointing to minimal 2H volume growth

Group-wide, revenue growth, at 19%, comfortably outpaced TTV growth, delivering strong revenue margin improvement to 11.4% (FY23: 10.4%). At the same time, underlying cost margin (excluding touring cost of sales) was relatively flat at 9.6%.

These positive revenue and cost margin trends led to significant UPM improvement to 1.35% (FY23: 0.63%), as FLT made meaningful progress towards its group-wide 2% target.

Leisure and corporate UPMs exceeded 2% during the 2H and fourth quarters (4Q) respectively, delivering a strong exit rate from FY24 into FY25 in both sectors.

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FLT's improved trading performance was reflected in strong cash generation, highlighted by a record $421million operating cash inflow.

In light of this strong cash position, almost $450million in capital management initiatives were undertaken during FY24 as the company:

- Reduced bank debt to $100million by repaying $252million (able to be redrawn)
- Reduced overdraft facilities by almost $50million (remain available to be used)
- Completed an $84million buy-back to secure CNs with a $75million face value; and
- Returned $62million in fully franked dividend payments to shareholders

In addition, FLT's directors today declared a fully franked 30 cents per share FY24 final dividend to be paid on October 17, 2024 to shareholders registered on September 19, 2024. The $66million total payment, plus the $22million interim dividend payment, represents a 38% return of underlying FY24 NPAT to shareholders and means FLT has now invested more than $500million in capital management initiatives since the start of FY24.

Key Drivers

The company's strong profit recovery was underpinned by:

- Higher TTV with higher productivity, as FLT topped its FY19 sales record with 63% of its FY19 workforce, plus an expanding independent agent and agency network
- Strong leisure and corporate results, with the businesses delivering underlying PBT growth of 104% and 44% respectively
- The 100bps YOY revenue margin uplift, as supplier margins stabilised and strategic initiatives to develop new revenue streams, increase ancillary sales and attachment and broaden FLT's overall product mix gained traction; and
- Ongoing cost discipline, with expenses about 15% below pre-COVID levels and steady underlying cost margins. Various loss-making businesses were also closed (GoGo and the Discova Central Americas destination management company) or restructured (online travel marketplace StudentUniverse and wholesalers Infinity and The Travel Junction) during the year

Comments from managing director Graham Turner

“In an uncertain macro-economic and geopolitical climate, our business and the industry in general continued to grow – once again highlighting the sector’s resilience and our strength as a diversified global travel company.

“We recorded circa $1.8billion YOY TTV growth and surpassed our record FY19 result – with a substantially leaner workforce and a structurally lower cost base, highlighting the strong productivity gains we have delivered in both leisure and corporate travel.

“Our YOY growth was also achieved in a deflationary airfare environment, which saw average international economy airfares decrease by 6% globally and by 13% in Australia during the 2H. While this long-awaited deflation will impact short-term TTV growth rates, we view it as extremely positive given it makes travel more affordable for families in particular and is likely to drive volume growth into FY25.

“We also delivered:

- Material profit improvement during FY24, as revenue margin continued to recover and as we continued to maintain tight controls over costs; and
- Our strongest ever operating cash inflow of circa $420million

“Given this profit recovery and strong cash generation. we invested about $450million in capital management initiatives to reduce debt and CNs and to increase dividend payments to our shareholders.

“Importantly, we also strengthened our foundations for the future by investing in key growth drivers, including our:

- People – Staff retention has improved and FLT was recognised as a Great Place To Work in 25 countries during FY24
- Diversified network of established, emerging and start-up businesses; and
- Technology and systems to enhance productivity and the customer experience

“Looking ahead, we continue to focus on profitable growth and our target of returning to a 2% UPM for the first time since FY15. We see a clear path to 2% and aspire to achieve it during FY25 although it remains a stretch target within this timeframe.”

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Trading and Strategic Update – Corporate

FLT's global corporate business delivered a 44% underlying PBT increase to $211million, with Corporate Traveller contributing a record profit.

TTV increased by 10% to a record $12.1billion, as the business finished the year about 35% larger than FY19 in a sector that has only recovered to circa 80% of pre-pandemic activity levels (Source: MIDT).

The corporate business's success during the past five years has been underpinned by successful execution of the Grow to Win strategy, which has delivered organic market-share growth through large volumes of account wins and high customer retention.

Accounts with estimated annual spends of $2billion were secured during FY24, in line with the business's target and with a heavier SME weighting (serviced by Corporate Traveller) than in recent years, when high volume, lower margin enterprise-level accounts (serviced by FCM) were won and onboarded.

In a promising sign for the future, Corporate Traveller's US wins have accelerated since a new regional structure, built around key centres in New York, Los Angeles and Chicago, was introduced. US SME sector wins almost doubled during the 2H compared to the FY24 1H.

While Grow to Win is an ongoing priority, the business is also focusing on the Productive Operations initiative to deliver stronger bottom-line growth in FCM in particular through:

- Digitisation and standardisation of operations
- Enabling customer self service capabilities; and
- Content access and distribution

Productive Operations is in its infancy but is expected to deliver significant scale benefits, given positive early trends and with the prospect of acceleration after initiatives are rolled out globally across both FCM and Corporate Traveller.

These scale benefits are set to lead to improved income per transaction (IPT) and lower costs per transaction (CPT) as volumes increase – trends that are already emerging.

During FY24, transaction volumes increased 11%, with IPT increasing by 3% and CPT decreasing by 2%.

Staff numbers at June 30, 2024 were circa 5% lower than at June 30, 2023, with strong productivity gains and the mass adoption of proprietary platforms (FCM Platform and Corporate Traveller's Melon) helping the business's people service a larger customer base.

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Staff numbers are currently expected to remain broadly in line with current levels during FY25, pointing to further productivity gains as the business continues to grow and as further efficiencies are realised through Productive Operations.

Trading and Strategic Update – Leisure

FLT's global leisure business delivered a 104% underlying PBT increase to $188million, its strongest result since profits peaked during FY14.

TTV increased by 10% to $11billion, as all four categories (Mass Market, Luxury, Specialist and Independent) generated more than $1billion in annual TTV for the first time.

Together, the Luxury, Independent and Specialist categories contributed 45% of global leisure TTV, compared to 33% during FY19, as Horizon 2 (emerging) businesses drove overall leisure TTV growth. This is in line with leisure's new growth blueprint of cost-effectively capturing sales through a higher performing shop network and lower cost, highly scalable offerings across other channels.

Following a major transformation initiated just prior to the pandemic, the leisure business has re-emerged as a more profitable, more productive and more efficient operation.

These stronger foundations in a recovering market were underlined by:

- Overall leisure profit exceeding FY19 by almost 50%
- TTV in Australia, FLT's largest leisure operation, exceeding FY19 levels in monthly trading during the 2H with less than half of the FY19 shop network; and
- A 40bps YOY cost margin improvement driven in part by productivity gains through better systems and higher staff retention

The leisure business has also successfully started to rebuild revenue margin by increasing:

- Higher margin cruise and tour sales across its established brand portfolio and through new specialist offerings, including Cruiseabout (first shop opened in January 2024) and MyCruise Touring Collection ($90million of TTV in its 2nd full year). In Australia, cruise and tour sales increased by 25% YOY to $1billion
- Flight Centre Brand (FCB) shops globally averaged 2.8 components per booking over the year and almost 3 components for the last 5 months of FY24; and
- Ancillary product sales – FCB's Captain's Pack is now being attached to 65% of in-store sales globally

Further margin and product benefits are expected to flow from the new travel insurance agreement with Europ Assistance, which comes into effect late in the FY25 1H.

The leisure business continues to invest significantly in enhancing the customer experience through new digital capabilities, careful use of Artificial Intelligence to support the company's people offerings and through new brands and products, including flights from Anywhere 2 Anywhere on flightcentre.com. In another promising sign for the future, brands and products in their first or second years generated circa $800million in TTV during FY24.

Continuing to target a 2% UPM

FLT continues to focus on achieving its 2% UPM target within its FY25 "stretch" timeframe but will balance this against its over-arching objective of delivering sustainable long-term shareholder value.

Since the target was set during the pandemic, the company has made solid progress by:

- Increasing revenue margin by 170bps during the past two years
- Maintaining a structurally lower cost base, with an underlying cost margin materially lower than FY19 and with opportunities for further improvement
- Closing or restructuring loss-making or under-performing businesses
- Transforming the leisure business into a more productive, more efficient and more profitable operation than it was than pre-COVID
- Rapidly expanding its leading global corporate business and now focusing on stronger bottom-line growth through Productive Operations; and
- Decreasing "Other" segment losses, through the Global Business Services (GBS) area's creation and oversight of head office costs and improved results from revenue-generating businesses that sit outside FLT's leisure and corporate divisions

As mentioned previously, FLT also has strong momentum, given the leisure and corporate businesses' FY24 UPM exit rates of above 2%.

Business mix is, however, a significant near-term headwind, given rapid growth in lower margin businesses that are gaining scale and becoming significant profit generators. Together, these businesses delivered circa 15% YOY TTV growth during FY24, compared to circa 5% TTV growth in the higher margin businesses.

FLT considers these businesses, which include FX business Travel Money, FCM and Envoyage (independent), key future growth drivers and, accordingly, will continue to invest in them, with a view to delivering a sustainable margin as the business grows and evolves.

The company will not risk future prosperity by abandoning or slowing growth in:

- Strategic investments with sub optimal margins while they start-up or scale up
- Profitable, but lower margin businesses with solid future growth prospects; or

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- Non-financial assets – people, customers and supply chain

FY25 Outlook

FLT will again invest significantly in its people, diversified brand network and systems.

Capital expenditure is expected to reach $100milllion, with about 75% to be invested in technology and systems. This will include further investment in Productive Operations, airfare aggregation (TP Connects), omni channel and digital capabilities in leisure and a new human resources information system (HRIS).

FLT plans to open about 35 new leisure travel shops globally, including 18 Travel Money outlets as the FX business continues to perform strongly in both retail and wholesale.

In terms of market conditions, cost of living pressures have curbed discretionary spending but travel has generally out-performed other sectors – again underlining its resilience.

Historically, this resilience has been reflected in strong and consistent growth in various key metrics, including short-term resident departures (STRD) in Australia. Based on Australian Bureau of Statistics data, STRD increased at a 5.9% compound annual growth rate over 40 years before travel was shutdown globally during FY20.

FLT expects the travel industry to a return to normal growth levels of 4-5% globally this year and is well placed to capitalise on opportunities in this expanding market given its:

- Proven ability to grow, as evidenced by 37 years of record TTV in its 42-year history
- Diversified portfolio of brands with strong customer value propositions
- Strong results and strategic execution in both the corporate and leisure sectors, which is delivering an improved overall margin profile
- Balance sheet strength
- Solid momentum, based on very early FY25 trading; and
- Potential economic tailwinds, including high interest rates, which has helped fuel demand among older demographics and delivered stronger returns on FLT's large cash float, relatively low unemployment globally and significant airfare deflation, which has started to drive volume growth

In Australia, international ticket sales increased 18% in July 2024 as average economy fares decreased by 5% compared to July 2023. This deflation followed significant airfare price reductions throughout FY24 and at a higher rate during the 2H, as outlined previously.

Corporate travel transaction volumes also increased by 11% globally during July 2024 (compared to July 2023).

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FLT will provide more comprehensive market guidance for FY25 at its Annual General Meeting on November 14, 2024.

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FY24 Result Webcast

FLT's full year result investor webcast will be held from 9.30am today and can be accessed via the following URL: https://webcast.openbriefing.com/flt-fyr-2024/

Underlying profit adjustments

$'000	**FY24**	**FY23 Restated***
Net Profit Before Tax (PBT)	**219,708**	**70,459**
SU impairment (non-cash), other restructuring costs & other head office lease impairment (non-cash)	49,355	-
US wholesale business trading loss & closure costs	17,558	-
Discova Americas trading loss & closure costs	11,559	-
Employee retention plans	9,537	29,757
Productive operations initiative (predominantly non-cash)	19,151	-
Gain on buy-back & remeasurement of convertible notes (non-cash)	(48,022)	-
Supplier exposure (REX)	10,723	-
Acquisition transaction costs – Scott Dunn	-	6,065
Covid-19 ROUA impairment reversal	-	(329)
Amortisation of convertible notes (non-cash)	30,816	32,877
Underlying PBT	**320,385**	**138,829**

** Amortisation of convertible notes has been included as a non-cash underlying adjustment in the current period, with prior period comparative amounts restated.*

This announcement has been approved by Flight Centre Travel Group Limited's board.