FLIGHT CENTRE TRAVEL GROUP

STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE – February 26, 2025

FLIGHT CENTRE TRAVEL GROUP RELEASES HALF YEAR RESULTS

Highlights

Growth across key financial metrics

- ✓ $11.7b in TTV, up 3% (circa $365m)
- ✓ $117m UPBT, 7% YoY increase – outpacing TTV growth
- ✓ 11c fully franked interim dividend (up 10%)

A tale of two quarters

- ✓ Solid 2Q recovery after challenging 1Q (impacting 1Q super over-rides)
- ✓ 14% 2Q UPBT growth achieved off 7% 2Q TTV growth – strong exit rate into 2H

Margins steady and set for 2H growth

- ✓ Already being seen – 2.3%+ UPBT margin in Australia in January 2025

Corporate – record TTV & ready for productivity uplift

- ✓ $6b 1H result – now 143% of pre-pandemic size
- ✓ Targeting 15-20% productivity uplift between FY24 and FY26

Leisure – more productive, more efficient and more profitable than pre-COVID

- ✓ Emerging businesses now capturing about half leisure TTV
- ✓ Operating leverage in Flight Centre brand

Guidance reaffirmed ($365m-$405m UPBT)

- Heavy 2H profit weighting expected – in line with normal trading patterns
- Currently tracking towards low to middle section of targeted range

Result Snapshot

	FY25 1H	FY24 1H
SALES		
TTV	$11.7b	$11.3b
Revenue	$1.3b	$1.3b
PROFIT		
PBT (U)	$117m	$109m
PBT (A)	$88.2m	$120.2m
NPAT (U)	$78.6m	$77.6m
NPAT (A)	$59.6m	$86.7m
MARGIN		
Revenue (Rev as a % of TTV)	11.4%	11.4%
Cost (U) (Underlying costs – excluding touring cost of sales – as a % of TTV)	9.9%	9.9%
PBT (Underlying PBT as a % of TTV)	1%	1%
SHAREHOLDER RETURNS		
Underlying EPS (basic)	36.1c	35.6c
Actual EPS (basic)	27.4c	39.7c
DPS	11c	10c
TSR	-15%	8%

*U = Underlying , **A = Actual

Investor Webcast Details

FLT's investor webcast will be held from 9.30am AEDT (8.30am Queensland) today and can be accessed via the following URL

https://webcast.openbriefing.com/flt-hyr-2025/

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Result Overview

FLIGHT Centre Travel Group (FLT) has achieved a $117million underlying profit before tax (UPBT) for the 2025 fiscal year (FY25) first half (1H).

The result represents 7% year-on-year (YoY) growth and reflects a solid second quarter (2Q) rebound after a challenging 1Q.

2Q UPBT increased about 14% - well above the 2% 1Q growth rate - delivering a strong 1H exit rate into the 2H, FLT's peak trading period.

Statutory PBT was $88.2million (FY24 1H: $120.2million), with the YoY movement largely reflecting materially higher FY24 gains on the buy-back and remeasurement of convertible notes (CNs), as outlined in the bridge between statutory and UPBT at the end of this announcement. Additional YoY comparisons are also included in the table above.

UPBT growth was achieved during a period of investment in initiatives geared towards delivering sustainable profit growth after rapid recovery post-COVID.

For example, FLT has increased its investment in Artificial Intelligence (AI) to deliver new customer products, enhance its people's productivity and create disruptive new offerings.

Through AI and other initiatives implemented as part of Productive Operations (PO), a global workstream focused on delivering significant scale benefits, FLT's corporate business is on track to deliver an initial 15-20% productivity uplift over a two-year period to the end of FY26.

In leisure, AI tools that are currently being trialled or implemented will streamline enquiry management, particularly the large volume that originates online, while also introducing a more conversational and AI-enhanced booking experience on flightcentre.com.

In addition to its increased spend on these key areas, FLT's 1H profit was also impacted by:

- Lower income from volume-based supplier payments (super over-rides) resulting from lower-than-normal total transaction value (TTV) growth early in the half
- A circa $4million investment in the rapidly growing global cruise sector, as outlined in the leisure section of this announcement; and
- An $8million downturn in Asia, as outlined in the corporate commentary

Group-wide, TTV increased by $365million to $11.7billion as FLT delivered YoY 1H TTV growth for the 28th time in 30 years since listing. This included a record $6billion contribution from the corporate business and a $5.5billion contribution from the global leisure business.

TTV growth also accelerated during the 2Q – increasing by 7% – after a modest 1Q increase during a period of significant airfare deflation in Australia and Asia.

In Australia, FLT's international air ticket numbers increased circa 12% during the 1H – four times the growth rate immediately before COVID (FY20 1H) – but average fares decreased 9% during the 1Q and 3% during the 2Q to finish the 1H down 6.5% YoY.

UPBT margin improved modestly during the 1H but should now increase more significantly because of normal seasonality and an improving revenue and cost margin profile.

Positive trends are already emerging – UPBT margin in Australia was above 2.3% in January – with further improvement expected to be driven by:

- Super over-ride and revenue margin recovery now that airfare deflation has eased in Australia and TTV growth has accelerated; and
- Cost margin benefits from leisure and corporate productivity and efficiency initiatives that are already in place, along with ongoing cost discipline as the business scales

FLT continues to review underperforming businesses, with a small division of the Infinity wholesale business (TTJ) closed after incurring circa $2.5million in 1H trading losses. This follows the closure of Discova Americas and wholesaler GoGo during FY24.

FLT's directors today declared a fully franked 11 cents per share interim dividend, payable on April 17 to shareholders registered on March 27 (FY24 1H:10 cents per share).

Including this dividend, the company has now returned more than $150million in fully franked dividends to its shareholders since the end of the pandemic in FY23, while also reducing the face value of its outstanding CNs by $275million (almost 35%). FLT bought back CNs with a $200million face value during the 1H, leaving notes with a $525million face value outstanding, in addition to acquiring Cruise Club in the UK and taking 100% ownership of Dubai-based airfare aggregator TP Connects.

<u>Comments from FLT chief executive officer Graham Turner</u>

"The 1H was a tale of two quarters in that 2Q TTV and profit growth rebounded after a challenging 1Q. In fact, our 2Q profit growth rate more than doubled our 2Q TTV growth rate. providing good operating leverage and momentum ahead of our key trading months.

“Our corporate business – now a materially larger business than pre-COVID – again delivered record 1H TTV and increased profit during a period of consolidation that should ultimately lead to more rapid earnings growth.

“Leisure TTV also increased and has subsequently reached record levels in various locations and brands in January, but profit was in line with the strong FY24 1H result, partly because of investments in the high growth cruise sector.

“The leisure business of today is significantly more productive, more efficient and more profitable and has a clear future growth blueprint across its diverse brand stable.

“Group-wide, our foundations are solid and we are well placed to deliver stronger 2H profit as volumes increase during our busier trading period, a seasonal trend we are now seeing.

“We are focussed on our FY25 goal of a 14% to 26.5% UPBT uplift and believe growth of this magnitude – $45million to $85million – will be a solid achievement, given we are:

- Trading in a reasonably normal environment, after rapid recovery post-COVID; and
- Investing now in areas like AI and the cruise sector that are expected to deliver strong future returns

“These investments will help make us a more productive and efficient business that continues to deliver above-market TTV growth and margin accretion, resulting in year-on-year profit growth and improved shareholder returns.

“While we will acquire businesses when there is sound strategic logic, our above-market TTV growth will largely be delivered through our existing, diversified network, with established businesses growing at least in line with the market, and emerging businesses growing more rapidly as they gain scale and become key profit drivers.

“We are seeing this now with our luxury leisure businesses, which together are on track to contribute more than $50million profit again this year and are established as one of our four major earnings drivers, alongside Flight Centre, Corporate Traveller and FCM.

“We will also continue to benefit from the synergies of being a scale offering across both corporate and leisure travel, with our brand and geographic diversity both a strength and a key differentiator.“

Trading and Strategic Update – Corporate

The corporate business delivered a 2% increase on its strong FY24 1H TTV result and a 4% UPBT increase to $96million during a short-term period of consolidation while the business embedded the PO initiatives to help unlock a new era of more profitable growth.

1H results were also impacted by:

- Downtrading – customers globally typically maintained or reduced travel; and
- The downturn in Asia, which saw the business deliver a $4million 1H loss after a $4million FY24 1H UPBT and was brought about by downtrading, deflation and higher debt provisions as a result of local system changes before PO was initiated

Outside Asia, FLT's businesses in the Americas, Europe, Middle East and Africa (EMEA) and Australia-New Zealand (ANZ) collectively delivered almost 14% UPBT growth and circa 3% TTV growth during the 1H. This accelerated during the 2Q, with 6.4% TTV growth and more than 30% UPBT growth during the three months to December 31.

1H TTV growth was in line with overall 1H market growth (Source: MIDT) and bolstered by an almost 5% 2Q increase globally.

Based on 1H TTV and consolidated GDS sales data (MIDT), the business has now:

- Recovered to 143% of its FY19 1H size – well ahead of the market's estimated recovery to circa 80% of pre-COVID activity; and
- Increased its global market-share from 4% to 5%

This underlines both the business's successful execution of its Grow to Win strategy, which was underpinned by high customer retention rates and account wins, and the scale of its future opportunity in this sector, given its relatively small market-share outside Australia.

FCM's FY25 contracted account wins have topped $800million, in addition to Corporate Traveller's large pipeline of uncontracted wins. Corporate Traveller's recent wins helped drive circa 10% 2Q TTV growth and 19% growth in January 2025 for the US SME business.

Proprietary tech platforms have been widely adopted by customers, with Corporate Traveller's Melon platform rapidly gaining traction and now accounting for almost 25% of the brand's Northern Hemisphere transactions, delivering better economics and helping drive productivity growth.

New features have been added to these platforms including better self-service capabilities (changes, cancellations, invoicing and a Help Centre), which has been a key PO focus area, along with digitisation and standardisation of operations and content access and distribution.

Through PO, the business is building a single operating system that drives every activity through the most appropriate channel, lowering costs and growing income, while delighting customers through automation and personal service.

PO initially focused on FCM but has now been extended to Corporate Traveller, with the Agent Workspace enquiry management system being deployed and expected to deliver significant benefits including better data and analytics, which will allow for better use of AI.

The corporate business, an early investor in AI through the creation of a Centre of Excellence (CoE) and the SAM (non-generative) AI application, is leveraging AI capabilities throughout the PO program and embracing its transformative nature to:

- Develop and introduce new customer products
- Enhance productivity by re-engineering inefficient, non-value adding processes; and
- Deploy disruptive new offerings

Since PO was initiated, the business has serviced higher transaction volumes with a leaner workforce by standardising workflows and systems, which has allowed for greater automation, agility and streamlined support structures.

Year-end full-time employee (FTE) numbers are now expected to be at least 5% lower than the FY24 year-end workforce, largely through natural attrition. The business expects to maintain these numbers during FY26, meaning a 15-20% productivity (TTV per FTE) uplift between FY24 and FY26 if the business delivers $13.5billion in TTV next fiscal year.

<u>Trading and Strategic Update - Leisure</u>

The leisure business delivered solid 1H TTV growth, building on its strong FY24 result with a workforce that was broadly in line with the PCP – pointing to further productivity gains.

UPBT was, however, flat YoY and impacted by:

- Lower super override revenue, a group-wide issue during the 1Q that has improved as TTV growth has accelerated; and
- Significant upfront investments geared towards fast-tracking cruise sector growth

These investments collectively totalled almost $4 million and related to the Cruiseabout start-up, the costs of integrating the Cruise Club acquisition and costs associated with Ignite's agreement to "charter" Explorations by Norwegian cruises, which has seen FLT charter a luxury cruise ship for a year. While sales are promising and about 1500 cabins have already been sold, FLT will not recognise revenue on these cruises until they depart (2026 and 2027).

1H UPBT significantly exceeded pre-COVID levels, being almost 10 times the $6million FY20 1H result and almost double the $30million FY19 1H result – underlining the leisure business's re-emergence as a more profitable, more productive and more efficient operation.

Together, businesses in the luxury, independent and specialist categories contributed circa 50% of 1H leisure TTV, compared to 33% during FY19 and 45% during the FY24 1H.

flightcentre.com was profitable, as were the Jetmax online travel agencies, as FLT cemented its position as the largest seller of airfares online within Australia's intermediary market.

The Flight Centre shop network delivered strong profit growth and operating leverage, with:

- Average basket-size increasing 12% during the 1H, with the average booking under the Bundle + Save campaign totalling almost $16,500 in January 2025
- Components per booking (attachment) increasing to 2.9 (FY24 1H 2.6) and on track to reach three for the first time this month (February); and
- Captain's Pack attachment reaching 72% globally and almost 80% in Australia

Looking ahead, strategic priorities include:

- Differentiating Flight Centre brand as an omni-travel retailer of choice
- Growing FLT's luxury sector presence via Scott Dunn, Travel Associates and the Luxury Travel Collection business
- Expanding in the independent agent/agency sector (now circa 20% of leisure TTV)
- Doubling cruise and tour sales. FLT recorded almost 25% 1H growth to more than $500million after delivering $1billion in TTV from cruise and tour sales last year; and
- Tapping into new growth engines, including FX, differentiated e-commerce offerings and loyalty

Leisure has strategically invested in a series of AI-driven initiatives to capitalize on emerging technical shifts. Its recent deployment of its machine learning model, *Super Forecaster,* integrates internal and external data sources to enhance forecasting for pricing strategies and determining trends to optimize marketing strategies.

The business is also rolling out:

- Its Trip Planning AI platform on flightcentre.com to introduce a more conversational and AI-enhanced booking experience across its product range; and
- A CRM with Salesforce, leveraging cutting-edge AI and autonomous agents for a proactive AI-driven sales engagement to boost productivity and enquiry management

FY25 Outlook

FLT continues to target an UPBT between $365million and $405million for FY25 (FY24: $320million) and is currently tracking towards the low-mid section of the range, ahead of its seasonally busiest trading months.

This seasonality was evidenced during the two most recent comparable full years, FY19 and FY24, when FLT generated 70% and 66% respectively of its UPBT during the 2Hs.

While it is impossible to predict FY25's earnings skew, various factors suggest a heavier 2H profit weighting compared to FY24, including:

- Stronger TTV growth as FLT cycles a lower fare environment in FY24, as it is now doing. This will unlock further scale benefits and contribute to super over-ride recovery, given volume tiers are typically dollar-based
- Potential tailwinds from macro-economic conditions, lower interest rates and a more stable geopolitical climate – fuelling demand from more confident consumers
- Early productivity and cost benefits from corporate's PO initiative
- Ongoing leisure mix shifts through increased sales of higher margin products, including tours, cruises and travel insurance; and
- A $5million to $10million loss reduction in FLT's Other Segment, which includes head office costs and various revenue generating businesses

Various large businesses and brands with high growth potential are also starting to deliver stronger results in early 2H trading, including:

- The global leisure business, which achieved record post-COVID TTV in January
- The Australian leisure business, which achieved its best-ever TTV month
- Corporate Traveller USA; and
- Scott Dunn, which delivered a record profit in January

Given its strong and diverse brand and business portfolio, FLT is well placed to benefit from anticipated market growth, with IATA projecting a 6.7% passenger increase globally during the 2025 calendar year.

International air capacity is also set for further growth in Australia, with the Australian Competition & Consumer Commission (ACCC) last week issuing a draft determination in favour of the proposed Virgin Australia and Qatar Airways tie-up. FLT welcomes the draft decision and believes it will lead to increased competition, deliver new travel options for Australians taking off overseas and ultimately cheaper fares.

As announced previously, FLT does not expect to achieve its initial stretch target of returning to a 2% UPBT margin this year. The company believes the 2% target remains an appropriate short to medium-term objective and will continue to work towards its goals of improving revenue and cost margins, while continuing to grow TTV.

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This announcement and the accompanying investor presentation have been authorised by the board of Flight Centre Travel Group Limited

Bridge between underlying and statutory PBT

$'000	**H1'FY25**	**H1'FY24 Restated***
Net Profit Before Tax (PBT)	**88,241**	**120,236**
Amortisation of convertible notes	13,978	15,926
Closure of under-performing businesses	11,014	10,424
Employee retention plans	-	8,609
Gain on buy-back & remeasurement of convertible notes (non-cash)	(11,466)	(48,022)
Productive Operations initiative	13,147	2,088
Other	1,877	-
Underlying PBT	**116,791**	**109,261**