ASX Announcement

19 August 2020

Corporate Travel Management 2020 full year results. Swift downsizing with better than expected corporate activity positions CTM for recovery.

Corporate Travel Management (CTM, ASX: CTD) reported underlying EBITDA[1] of $65.0m and underlying NPAT[2] of $32.0m (excluding one-off items) for the FY20 financial year, after rapidly responding to the impacts of COVID-19 to rationalise the cost base and maintain a strong liquidity position.

Highlights

- **Underlying EBITDA[1] $65.0m ($74.4m applying AASB 16) including $0.5m underlying EBITDA profit for 2H20**
    - Underlying NPAT[2] of $32.0m attributable to owners of CTM before one-off items
    - Statutory NPAT loss $(8.2m) attributable to owners of CTM
    - Stronger corporate activity resulted in smaller than expected underlying EBITDA losses for 4Q20, averaging $3.0m per month
- **Strong liquidity position with no debt**
    - Strong operating cash flow of $79.2m
    - $92.8m cash ($60.0m net of client cash and client creditors)
    - $180.0m (GBP100m) undrawn committed finance facility
    - No further significant one-off costs expected in FY21
    - Deferred FY20 interim dividend cancelled and no final dividend
- **Positioned for recovery: business can be profitable on domestic only model**
    - Significant contribution from Essential Services travel, providing recurring revenues
    - Predominantly domestic (within country) travel focus
    - Client retention above 97% and winning business in all regions
    - July 2020 underlying EBITDA loss $2.2m
    - ANZ and Europe regions broke even in July 2020

[1]Excluding AASB 16 impact of $9.4m and pre-tax one-off acquisition and non-recurring costs of $10.6m (FY19: $6.3m)
[2]Net of post-tax non-cash amortisation relating to acquisition accounting $5.2m (FY19 $5.6m), non-recurring and acquisition costs of $33.8m (FY19: $5.1m) and AASB 16 impact of $1.2m

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Managing Director, Jamie Pherous said, “Revenue has been ahead of our May market update expectations with high exposure to domestic essential travel. This coupled with our flexible business model and rapid response to COVID-19 enabled CTM to deliver full-year results that exceeded our market update provided in May.

“Because we moved early and rapidly with redundancies and other cost reductions, we have been able to stem our losses very quickly, and do not expect any further significant one-off costs in the current FY21 financial year.

“Our business model also positions the business for a rapid return to profitability with only a marginal increase in domestic travel activity from current levels.”

Better than expected Q4 performance

Reported Q4 revenue averaged $11.5m* per month compared with the May market update of $2.0-5.0m per month, as a result of CTM’s high level of exposure to clients in Essential Services industries who have been permitted to travel despite travel restrictions, supporting solid recurring earnings.

CTM also expected a Q4 underlying EBITDA loss of $5.0-10.0m per month^ which compares with the reported loss averaging $3.0m per month.

Travel restrictions and border closures dramatically reduced travel spend during the second half, with client activity reaching its lowest point in April 2020. However, client activity has begun to recover since that time.

The Group has established a solid platform for growth with client retention above 97% despite continuing travel restrictions, and new business wins in all regions.

CTM benefited from its leverage to the largest travel markets, with the northern hemisphere representing 81% of Group Q4 revenue. Despite COVID-19, flight schedule activity is increasing in the key regions of North America and Europe. For the first time, North America was the largest revenue contributor across the Group’s regions in the second half of the financial year.

Non-recurring costs after tax totalled $33.8m and related predominantly to COVID-19 including redundancy costs ($15.1m), bad and doubtful debts ($13.0m) and amortisation of intangible assets to reflect reduced client demand ($9.1m). No significant further one-off costs are expected in FY21.

Liquidity and balance sheet flexibility

In the May market update, CTM reported a net cash position of approximately $30.0m (net of client cash and client creditors) with an expected burn rate of $5.0-10.0m per month to the end of June. The Group reported $60.0m net cash (net of client cash and client creditors) at 30 June 2020 and maintains a similar position of $55.0m in net cash at 17 August 2020.

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*Includes global government grants in other income. Grants average $2.5m/month (JobKeeper a minority), but this is off-set by the cost of retaining additional staff to qualify for off-shore grants
^7 May 2020 market update gave a revenue range of $2-$5m, and expenses of $10-$12m, providing an underlying EBITDA loss range of $5-$10m

Dividends

Given the continued uncertainty around recovery timeframes globally, the FY20 interim dividend, previously deferred to October, has been cancelled and there will be no final dividend.

Positioned to return to profitability as a domestic travel business

CTM is positioned to operate profitably with only a marginal increase in domestic travel activity. CTM's revenues are predominantly from domestic (within country) travel, representing approximately 60% of pre-pandemic Group revenue from Australia/New Zealand, Europe and North America.

The substantial majority of CTM domestic travel bookings use the Group's client-facing technology and proprietary Lightning booking tool. CTM software operates at a lower marginal cost per booking than transaction costs on third party software, resulting in a greater share of revenue falling to the Group's bottom line as travel activity increases. This factor also reduces CTM's reliance on international travel to be profitable.

Continue to invest in technology

CTM has continued to invest in technology and has pivoted development to meet current client needs. This includes unused ticket credit management tools, safety and hygiene measures, COVID-19 risk management tools and traveller wellbeing.

FY21 outlook

CTM is not in a position to provide earnings guidance while uncertainty remains around government decisions about travel restrictions and quarantine requirements to manage the risk of COVID-19 transmission.

As at 17 August, CTM maintains a strong liquidity position with net cash at $55.0m (net of client cash and client creditors), zero debt and undrawn committed facilities of $180.0m.

Client activity has begun to recover from a low point in April. Monthly revenue is typically lowest in July, reflecting the northern summer vacation. However, bookings in July were greater than in June, suggesting a broad-based recovery in corporate travel activity is underway, especially in the northern hemisphere as corporate clients return to work in August.

The Group reported an average underlying EBITDA loss of $3.0m per month over the last quarter of FY20, and no further significant one-off costs are expected in the current financial year. The monthly underlying EBITDA loss reduced to $2.2m in July with the Europe and Australia/New Zealand regions breaking even.

An extended period with no international travel is likely to create opportunities for industry consolidation. CTM will continue to consider potential acquisitions that align with the Group's strategy and is well positioned to pursue any relevant opportunities.

-ENDS-

Authorised for release by the Board.

For further information

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