



ASX ANNOUNCEMENT

26 June 2023

Notice of General Meeting to Shareholders

Helloworld Travel Limited (ASX:HLO) has today dispatched the Notice of General Meeting to Shareholders, which is to be held as a virtual (online only) meeting at 10:00am on Wednesday, 26 July 2023.

-ENDS-

About Helloworld Travel Limited

- Helloworld Travel Limited (ASX: HLO) is a leading Australian & New Zealand travel distribution company, comprising retail leisure travel and business travel networks, travel broker networks, destination management services (inbound), air ticket consolidation, tourism transport operations, wholesale travel services, online operations and event-based freight operations, all supported by world class proprietary and non-proprietary systems.
- HLO has over 600 staff located in Australia, New Zealand, Fiji and Greece, and over 2000 members of its travel agency networks in Australia and New Zealand.
- Helloworld Travel is a proud sponsor of the School of St Jude in Tanzania.



Helloworld Travel Limited

ACN 091 214 998

NOTICE OF GENERAL MEETING AND EXPLANATORY MEMORANDUM

The Helloworld Directors recommend that Helloworld Shareholders

VOTE IN FAVOUR

of the ETG Resolution at the General Meeting in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Proposed Transaction is fair and reasonable to Non-Associated Shareholders

The General Meeting is to be held commencing at 10.00am (AEST) on 26 July 2023 as a virtual (online only) meeting. Full details of how to participate in the virtual (online only) meeting is set out in this Explanatory Memorandum.

The Independent Expert has concluded that the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, in the absence of a Superior Proposal

Important Notice

IMPORTANT INFORMATION

This Explanatory Memorandum (incorporating the Notice of General Meeting, Independent Expert's Report and Proxy Form) are all important documents and require your immediate attention. They should be read carefully in their entirety before you make a decision on how to vote at the General Meeting. If you are in any doubt as to what you should do, please consult your financial or other professional adviser. If you have recently sold all of your Helloworld Shares, please disregard this and all enclosed documents.

PURPOSE OF EXPLANATORY MEMORANDUM

This Explanatory Memorandum contains an explanation of, and information about the Proposed Transaction and the ETG Resolution to be considered at the General Meeting of Helloworld to be held on 26 July 2023.

It is given to Helloworld Shareholders to provide them with information that is prescribed by the Corporations Act, the Corporations Regulations or the Listing Rules or is otherwise information that the Helloworld Directors believe to be material to Helloworld Shareholders in deciding whether and how to vote on the ETG Resolution. Helloworld Shareholders should read the Explanatory Memorandum in full because individual sections do not give a comprehensive review of the Proposed Transaction. If you are in doubt about what to do in relation to the ETG Resolution, you should consult your financial or other professional adviser.

The Explanatory Memorandum also constitutes the explanatory statement and information for the ETG Resolution as required by Listing Rule 10.5.

The information contained in this Explanatory Memorandum is not financial product or investment advice. The Explanatory Memorandum does not take into account the individual investment objectives, financial situation or needs of individual Helloworld Shareholders or any other person. Accordingly, it should not be relied on solely in determining how to vote on the ETG Resolution. Helloworld is not licensed to provide financial product advice in relation to Helloworld Shares or any other financial products. No cooling-off period applies to the Proposed Transaction.

INVESTMENT DECISIONS AND FORWARD-LOOKING STATEMENTS

The Explanatory Memorandum contains forward-looking statements which have been based on current expectations about future events. Forward looking statements can be identified by the use of forward-looking words such as "may", "should", "expect", "anticipate", "estimate", "scheduled", "believe", or "continue", their negative equivalent or comparable terminology. Similarly, statements that describe Helloworld's objectives, plans, goals or expectations are or may be forward looking statements. The statements contained in the Explanatory Memorandum about the impact that the Proposed Transaction may have on the results of Helloworld's operations and the advantages and disadvantages anticipated to result from the Proposed Transaction are also forward-looking statements.

These forward-looking statements are, however, subject to known and unknown risks, uncertainties and assumptions that could cause actual results, performance or achievements of Helloworld to differ materially from the expected future results, performance or achievements expressed, projected, described or implied in such forward-looking statements. Such risks, uncertainties and other important factors include among other things, general economic conditions, specific market conditions, exchange rates, interest rates and regulatory changes.

Neither Helloworld nor any of their respective officers or any person named in the Explanatory Memorandum or involved in its preparation makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement, and Helloworld Shareholders are cautioned not to place reliance on those statements. You should note that the historical performance of Helloworld is no assurance of its future financial performance.

The forward-looking statements in the Explanatory Memorandum reflect views held only as at the date of the Explanatory Memorandum.

Subject to any obligations under law or the Listing Rules, Helloworld and their related entities and directors disclaim any obligation or undertaking to disseminate, after the date of the Explanatory Memorandum, any updates or revisions to any forward-looking statements to reflect any change in expectation in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

ROUNDING OF NUMERICAL INFORMATION

Any discrepancies between totals in tables and sums of components contained in the Explanatory Memorandum and between those figures and figures referred to in other parts of the Explanatory Memorandum are due to rounding. All rounded numbers have been rounded either to one decimal place or to the nearest whole number.

FOREIGN JURISDICTIONS

The release, publication or distribution of this Explanatory Memorandum in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside Australia who come into possession of this Explanatory Memorandum should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute

a violation of applicable laws or regulations. To the maximum extent permitted by law, Helloworld disclaims all liabilities to such persons.

Helloworld Shareholders who are nominees, trustees or custodians in respect of beneficial owners who are based in foreign jurisdictions are encouraged to obtain independent advice as to how they should proceed.

This Explanatory Memorandum has been prepared in accordance with Australian law and the information contained in this Explanatory Memorandum may not be the same as that which would have been disclosed if this Explanatory Memorandum had been prepared in accordance with the laws and regulations of jurisdictions other than Australia. No action has been taken to register or qualify this Explanatory Memorandum in any jurisdiction outside Australia.

ASX

A draft of this Explanatory Memorandum has been provided to ASX for its review in accordance with the Listing Rules. Neither ASX nor any of its officers takes any responsibility for the contents of this Explanatory Memorandum.

DISCLAIMER

No person is authorised to give any information or make any representation in connection with the Proposed Transaction which is not contained in this Explanatory Memorandum. Any information or representation not contained in the Explanatory Memorandum must not be relied on as having been authorised by Helloworld or the Helloworld Board in connection with the Proposed Transaction.

RESPONSIBILITY FOR INFORMATION

The information contained in the Explanatory Memorandum (except for the Independent Expert's Report) has been prepared by Helloworld (**Helloworld Information**) and is the responsibility of Helloworld. No other person assumes any responsibility for the accuracy or completeness of any information contained in the Explanatory Memorandum.

The recommendations of the Helloworld Directors and reasons for those recommendations have been prepared by and are the responsibility of the Helloworld Directors.

Grant Thornton has prepared the Independent Expert's Report and has given, and has not withdrawn, as at the date of the Explanatory Memorandum, its written consent to the inclusion of the Independent Expert's Report, and the references to that report, in the form and context in which they are included in the Explanatory Memorandum. Grant Thornton takes responsibility for that report but is not responsible for any other information contained in the Explanatory Memorandum. Neither Helloworld nor any of its related entities, directors, officers, employees, contractors, advisers or agents assumes any responsibility for the accuracy or completeness of the Independent Expert's Report. Helloworld Shareholders are urged to read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

PRIVACY STATEMENT

Helloworld collects personal information about its shareholders' holdings of Helloworld in accordance with the Corporations Act. Helloworld will share that personal information with its advisers and service providers in connection with the Proposed Transaction. Helloworld Shareholders can contact the Helloworld Share Registry, Automic Pty Ltd at 1300 288 664 (within Australia) or +61 2 9698 5414 (outside Australia) if they have questions about their personal information.

DEFINITIONS

Defined terms are used in this Explanatory Memorandum. The defined terms are in the Glossary set out in Section 3.

NO INTERNET SITE IS PART OF THE EXPLANATORY BOOKLET

Helloworld maintains an internet site at www.helloworldlimited.com.au. Any references in the Explanatory Memorandum to an internet site are textual references for information only and no information in any internet site forms part of the Explanatory Memorandum.

TIME

All references to time in the Explanatory Memorandum are references to Melbourne, Australia time, unless otherwise stated.

CURRENCY

All references in the Explanatory Memorandum to "\$", "A\$" and "cents" are references to Australian currency, unless otherwise specified.

DATE

This Explanatory Memorandum is dated 26 June 2023.

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Key Dates

Despatch of Explanatory Memorandum	26 June 2023
Deadline for returning Proxy Form	10.00am on Monday, 24 July 2023
Voting Entitlement Date	7.00pm on Monday, 24 July 2023
General Meeting (to be conducted as a virtual (online only) meeting to vote on the ETG Resolution)	10.00am on Wednesday, 26 July 2023
Target date for Completion of the Proposed Transaction under the Share Purchase Agreement following satisfaction of the Conditions Precedent, at which time: <ul style="list-style-type: none"> • Helloworld acquires the ETG Group; and • Helloworld pays and issues the Tranche 1 Payment to the Vendors 	Between 24 July and 30 September 2023*
Target date for payment of the Tranche 2 Payment to the Vendors	On the day falling 14 days from the date the financial year 2023 accounts are finalised, expected to be by 30 September 2023.

All dates in the above timetable are indicative only and are subject to change. Any changes to these dates will be announced to the ASX.

*Note: Subject to the approval by Helloworld Shareholders of the ETG Resolution at the General Meeting.

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Letter from the Chair

26 June 2023

Dear Fellow Helloworld Shareholder,

The Helloworld Board of Directors is pleased to provide you with this Explanatory Memorandum in relation to the proposed acquisition by Helloworld and its affiliated entities of 100% of Express Travel Group (**Proposed Transaction**). Also accessible from this link : [https://staff-web.automicgroup.com.au/er/public/api/documents/HLO?fileName=Explanatory Memorandum and Notice of General Meeting Final.pdf](https://staff-web.automicgroup.com.au/er/public/api/documents/HLO?fileName=Explanatory_Memorandum_and_Notice_of_General_Meeting_Final.pdf)

Express Travel Group is one of the largest groups of independent travel agencies in Australia and New Zealand and comprises the following travel agency groups:

- Select Travel Group;
- Independent Travel Group;
- Independent Travel Advisors;
- Alatus;
- Cruise Spirit;
- First Travel Group (NZ);
- YOU Travel Group (NZ); and
- Italktravel & Cruise.

This Explanatory Memorandum contains important information to help you make an informed decision about how to vote at the General Meeting to be held on Wednesday, 26 July 2023. These materials include:

- a description of the Proposed Transaction and the ETG Resolution to be considered at the General Meeting;
- the reasons why the Helloworld Directors recommend that you should **VOTE IN FAVOUR** of the ETG Resolution;
- a review of potential reasons why you may not want to vote in favour of the ETG Resolution; and
- the Independent Expert's Report from Grant Thornton Corporate Finance Pty Ltd (**Grant Thornton**), commissioned by the Helloworld Board, that concludes the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, in the absence of a Superior Proposal.

The Helloworld Directors believe that the Proposed Transaction represents a compelling value proposition for Helloworld and its shareholders and recommend you **VOTE IN FAVOUR** of the ETG Resolution in the absence of a Superior Proposal.

I urge you to read the Explanatory Memorandum (including the Independent Expert's Report) in its entirety.

A. Summary of the Proposed Transaction

On 22 June 2023, Helloworld and its affiliated entities entered into a binding Share Purchase Agreement to acquire 100% of the shares of:

- Express Travel Group Pty Ltd ACN 137 526 599;
- italktravel Pty Ltd ACN 145 355 960;
- Creative Cruising Pty Ltd ACN 623 159 160;
- Express IP Holdings Pty Ltd ACN 600 346 987;
- Orient Express Travel Group Pty Ltd ACN 164 155 739;
- First Travel Group Limited NZ Company Number 7239880;
- First Fares Limited NZ Company Number 5191801;
- First Travel Limited NZ Company Number 5822808;
- Express Tickets Limited NZ Company Number 8187427;
- First Travel Collective Limited NZ Company Number 8095396;
- Siteconnect Limited NZ Company Number 8281861;

- Independent Travel Advisors Limited NZ Company Number 8145493;
- Lifestyle Holidays Limited NZ Company Number 3536191;
- Cruise Spirit Limited NZ Company Number 8145409;
- You Travel Limited NZ Company Number 5923901; and
- Creative Cruising NZ Limited NZ Company Number 7398596.

(each an **ETG Entity** and collectively, **ETG Group**).

The consideration for the Proposed Transaction will be \$70 million and will be paid in two tranches.

The first tranche will comprise of a combination of a cash payment of \$40 million and the issue of new Helloworld Shares equal to \$10 million¹, collectively equal to the value of \$50 million to the Vendors at Completion (**Tranche 1 Payment**).

The second tranche will comprise of a combination of a cash payment of \$15 million and the issue of new Helloworld Shares to the value of \$5 million, collectively equal to the value of \$20 million (subject to certain adjustments), to the Vendors approximately 2 months after Completion (**Tranche 2 Payment**).

The Proposed Transaction is subject to four conditions precedent. The first being shareholder approval of the ETG Resolution at the General Meeting, the second being Express Travel Group Pty Ltd completing the acquisition of 100% of the issued capital (on a fully diluted basis) of First Travel Group Ltd (NZ Company Number 7239880) so that First Travel Group Ltd is a wholly-owned subsidiary of Express Travel Group Pty Ltd at Completion of the Proposed Transaction, the third requires that at least 90% of staff agree to transfer to Helloworld and the last that at least 90% of the agent network of ETG is intact at completion.

The Proposed Transaction is described in detail in Section 1 of the Explanatory Memorandum. Various risks associated with the Proposed Transaction are summarised in Section 1.12.

B. Independent Expert's Report

In accordance with Listing Rule 10.5.10, the Helloworld Board has commissioned Grant Thornton to prepare an Independent Expert's Report which opines on the merits of the Proposed Transaction. A copy of the Independent Expert's Report is included at Annexure 2 to this Explanatory Memorandum.

The Independent Expert has concluded that the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, in the absence of a Superior Proposal.

C. Directors' recommendation

For the reasons set out in Section 1.8 of the Explanatory Memorandum, the Helloworld Directors recommend that you **VOTE IN FAVOUR** of the ETG Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders.

In reaching their recommendation, the Helloworld Directors have had regard to a range of factors including those set out below:

- ✓ The Proposed Transaction presents an opportunity for Helloworld to expand its existing retail network presence in Australia and New Zealand;
- ✓ The Proposed Transaction is strategically compelling for Helloworld as it recognises that the ticket consolidation business of ETG and Helloworld together will enable a competitively stronger business;
- ✓ The Proposed Transaction represents an attractive financial impact, with earnings accretion expected from FY2024 and a reasonable multiplier of 7 times forecast earnings for FY2023;
- ✓ The Proposed Transaction enables strong synergies through the use of Helloworld's Smart Tickets solutions, enabling the ETG agent networks to engage with the best in market solutions while continuing to work with the ETG team; and

¹ Calculated based on the volume-weighted average price of Helloworld Shares over the 20-business day period prior to the date of the contract.

- ✓ The two-tranche payment and escrow agreement for the consideration shares provides a further de-risking of the transaction.

Having regard to all of these factors, the Helloworld Directors believe that the Proposed Transaction will create materially more value for Helloworld Shareholders than the status quo.

Each of the Helloworld Directors intends to vote all Helloworld Shares held or controlled by them in favour of the ETG Resolution subject to the Independent Expert continuing to conclude that the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders in the absence of a Superior Proposal. As at the date of this Explanatory Memorandum, the Helloworld Directors hold or control in aggregate approximately 26.77% of Helloworld Shares on issue.

There are also reasons why Helloworld Shareholders may decide to vote against the ETG Resolution. Some of these reasons are set out in Section 1.9 of the Explanatory Memorandum and include:

- You might not agree with the recommendation of the Helloworld Board and the Independent Expert.
- You may believe that the risk profile of the organisation may change so as to negatively impact the value of your shareholding.
- Shareholding and voting power in Helloworld will be diluted by the new Helloworld Shares to be issued to the Vendors under the Proposed Transaction.
- You may feel, for any other reason, that the Proposed Transaction does not represent value for Shareholders.

D. ETG Resolution

Under Listing Rule 10.1, the acquisition or disposal of a "substantial asset" by an ASX listed company from, or to, a person in a position of influence (including a "substantial holder") requires the approval of the shareholders of the listed company.

A person who has, with the person's Associates, a relevant interest in at least 10% of all Helloworld Shares is a "substantial holder" for the purposes of the Listing Rules.

An asset is a "substantial asset" for the purposes of the Listing Rules if its value is more than 5% of the equity interests in Helloworld as set out in its latest accounts given to ASX.

Sintack Pty Ltd (**Sintack**) holds approximately 13.31% of Helloworld Shares as at the date of this Explanatory Memorandum. Sintack is also a Related Body Corporate of CTG, one of the Vendors under the Proposed Transaction. Sintack is therefore considered a 'substantial holder' of Helloworld for the purposes of the Listing Rules.

The ETG Shares to be acquired by Helloworld from CTG under the Proposed Transaction account for more than 5% of the equity interests of Helloworld as set out in its latest accounts given to ASX (being \$281,469,000), with the result that those shares are a 'substantial asset' for the purposes of the Listing Rules.

Accordingly, the ETG Resolution seeks the approval of Helloworld Shareholders (other than Sintack and any of its Associates) for the purchase of ETG Shares under the Proposed Transaction as required under Listing Rule 10.1.

If the ETG Resolution is approved, then the Proposed Transaction will proceed (subject to the satisfaction or waiver of the other conditions precedent to the Proposed Transaction).

E. Voting at the General Meeting

For the Proposed Transaction to proceed, it is necessary that the requisite majority of Helloworld Shareholders vote in favour of the ETG Resolution. This is your opportunity to play a role in deciding the future of your investment in Helloworld.

The General Meeting will be a virtual (online only) meeting via the online platform at https://us02web.zoom.us/webinar/register/WN_P0nxLboGT76wfLH0n6o6zw that allows for remote participation. There will be no physical venue for the General Meeting. However, our virtual General Meeting will provide you with similar opportunities online as you would have attending a meeting in person. You will be able to view presentations, as well as vote and ask questions live during the meeting.

Further details on how to participate in the General Meeting online are set out in the attached Notice of General Meeting and in the General Meeting's Online Guide. The General Meeting's Online Guide provides details about how to ensure your browser is compatible with the online platform as well as a step-by-step guide to successfully log in and navigate the site. The General Meeting's Online Guide has been released to the ASX and will be available on Helloworld's website at <https://www.helloworldlimited.com.au/investors/>.

The Explanatory Memorandum is accompanied by a proxy form and a reply-paid envelope. If you are unable to attend the General Meeting online, please complete the Proxy Form (refer to the Notice of Meeting) and return them in accordance with the instructions.

F. Further Information

Please read all parts of this Explanatory Memorandum before making your decision on how to vote on the ETG Resolution at the General Meeting. If you have any questions in relation to the Proposed Transaction, ETG Resolution or the Explanatory Memorandum, please call the Helloworld Group Company Secretary, Sylvie Moser, on +61 3 9867 9600 between 9.00am and 5.00pm (AEST), Monday to Friday. I would also encourage you to seek independent financial, legal and taxation advice before making any investment decision.

Thank you for your continued support of Helloworld and I look forward to your attendance.

Yours sincerely



Garry Hounsell
Chairman
Helloworld Travel Limited

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1 The Proposed Transaction

1.1 BACKGROUND

On 22 June 2023, Helloworld and its affiliated entities entered into a binding Share Purchase Agreement to acquire 100% of the shares of:

- Express Travel Group Pty Ltd ACN 137 526 599;
- italktravel Pty Ltd ACN 145 355 960;
- Creative Cruising Pty Ltd ACN 623 159 160;
- Express IP Holdings Pty Ltd ACN 600 346 987;
- Orient Express Travel Group Pty Ltd ACN 164 155 739;
- First Travel Group Limited NZ Company Number 7239880;
- First Fares Limited NZ Company Number 5191801;
- First Travel Limited NZ Company Number 5822808;
- Express Tickets Limited NZ Company Number 8187427;
- First Travel Collective Limited NZ Company Number 8095396;
- Siteconnect Limited NZ Company Number 8281861;
- Independent Travel Advisors Limited NZ Company Number 8145493;
- Lifestyle Holidays Limited NZ Company Number 3536191;
- Cruise Spirit Limited NZ Company Number 8145409;
- You Travel Limited NZ Company Number 5923901; and
- Creative Cruising NZ Limited NZ Company Number 7398596.

(each an **ETG Entity** and collectively, **ETG Group**).

The consideration for the Proposed Transaction will be approximately \$70 million and will be paid in two tranches.

The first tranche will comprise of a combination of a cash payment of \$40 million to the Vendors and the issue of new Helloworld Shares equal to \$10 million² at Completion (**Tranche 1 Payment**).

The second tranche will comprise of a combination of a cash payment of \$15 million and the issue of new Helloworld Shares of \$5 million, collectively equal to the value of \$20 million (subject to certain adjustments), approximately 2 months after Completion (**Tranche 2 Payment**).

1.2 OVERVIEW OF SHARE PURCHASE AGREEMENT

The Share Purchase Agreement sets out the obligations of the parties in connection with the Proposed Transaction, including the conditions precedent to Completion. The material terms of the Share Purchase Agreement are summarised in Section **Error! Reference source not found.** below.

A summary of the consideration is set out below:

Tranche 1 Payment

The first tranche payment for the Proposed Transaction will comprise of a combination of a cash payment of \$40 million and the issue of new Helloworld Shares equal to \$10 million³ to the Vendors at Completion (**Tranche 1 Payment**). The target date for Completion of the Proposed Transaction is 31 July 2023.

² Calculated based on the volume-weighted average price of Helloworld Shares over the 20 business day period prior to the date of the contract.

³ Calculated based on the volume-weighted average price of Helloworld Shares over the 20 business day period prior to date of the contract.

Tranche 2 Payment

The second tranche will comprise of a combination of a cash payment of \$15 million and the issue of new Helloworld Shares to the value of \$5 million, collectively equal to the value of \$20 million (subject to certain adjustments), to the Vendors approximately 2 months after Completion (**Tranche 2 Payment**).

1.3 THE NEW HELLOWORLD SHARES TO BE ISSUED UNDER BOTH THE TRANCHE 1 PAYMENT AND THE TRANCHE 2 PAYMENT WILL RANK EQUALLY IN ALL RESPECTS WITH EXISTING ORDINARY SHARES IN HELLOWORLD. OVERVIEW OF ETG

The ETG Group represents one of the largest groups of independent travel agencies in Australia. Its members comprise the ETG Group's core agency groups, being:

- Select Travel Group;
- Independent Travel Group;
- Independent Travel Advisors;
- First Travel Group; and
- the italktravel & cruise retail franchise network.

As part of its core business offerings, the ETG Group operates an online ticketing business (**Express Tickets**), and independent cruise wholesaler (**Creative Cruising**) and a leading independent travel alliance based in New Zealand (**First Travel Group**).

Express Tickets is a market-leading consolidator, providing airfares and airline ticketing services to travel agencies, tour operators and OTA's for over 30 years. The Express Tickets technology platform offers a friendly point and click interface which enables users to confidently shop and book airline tickets, complete reissues, refunds & revalidation functions online.

Creative Cruising partners with leading cruise lines, hotel chains, airlines and tour operators to facilitate bookings of dedicated cruise holidays.

First Travel Group provides its members with market efficiencies to enhance the customer experience in retail, corporate and wholesale travel.

1.4 WHY IS SHAREHOLDER APPROVAL REQUIRED FOR THE PROPOSED TRANSACTION?

The ETG Resolution seeks the approval of Helloworld Shareholders to the Proposed Transaction, for the purposes of Listing Rule 10.1.

1.4.1 Listing Rule 10.1

ASX Listing Rule 10.1 provides that an entity or its subsidiary must not acquire or dispose of a "substantial asset" from or to certain persons in a position of influence without shareholder approval, including:

- (a) a substantial (10%+) holder, being a shareholder who, together with their Associates, has a relevant interest (or had a relevant interest at any time in the six months before the transaction) in at least 10% of the total votes attached to voting securities in the entity;
- (b) an Associate of such a substantial shareholder; and
- (c) any other person whose relationship to the entity is such that, in ASX's opinion, the transaction should be approved by shareholders.

1.4.2 Position of Sintack

A person who has, with the person's Associates, a relevant interest in at least 10% of all Helloworld Shares is a "substantial holder" for the purposes of the Listing Rules.

Sintack Pty Ltd (**Sintack**) holds approximately 13.31% of Helloworld Shares as at the date of this Explanatory Memorandum. Sintack is also a Related Body Corporate of CTG, one of the Vendors under the Proposed Transaction and therefore Sintack is an Associate of CTG.

Accordingly, Sintack is considered a 'substantial holder' of Helloworld for the purposes of the Listing Rules.

1.4.3 Is there an acquisition or disposal of a substantial asset?

ASX Listing Rule 10.2 defines 'substantial asset' for the purposes of ASX Listing Rule 10.1 as follows:

An asset is substantial if its value, or the value of the consideration being paid or received by the entity for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity, as set out in the latest accounts given to ASX under the listing rules.

In determining whether the asset meets the 5% threshold, liabilities assumed by the entity as part of the acquisition or assumed by someone else as part of the disposal of the asset are not to be deducted from the value of the asset. Separate acquisitions or disposals will also be aggregated for the purpose of determining the 5% threshold if, in ASX's opinion, they form part of the same commercial transaction.

Based on its latest consolidated financial statements as at 20 February 2023, 5% of Helloworld's equity interests is \$14,073,450.

The ETG Shares to be acquired by Helloworld from CTG under the Proposed Transaction are valued at \$35 million, being more than 5% of the equity interest of Helloworld as set out in its last accounts given to ASX (being the accounts for the half-year ended 31 December 2022), with the result that those shares are a 'substantial asset' for the purposes of the Listing Rules.

The ETG Resolution therefore seeks the approval under Listing Rule 10.1 of Helloworld Shareholders (other than Sintack) of the Proposed Transaction.

1.4.4 Voting exclusion

Listing Rule 10.5.9 requires a notice of meeting containing a resolution under Listing Rule 10.1 to include a voting exclusion statement under which Helloworld is required to disregard all votes cast in favour of the ETG Resolution by or on behalf of:

- (a) Sintack or any of its Associates; or
- (b) any other person who will obtain a material benefit as a result of the Proposed Transaction (except a benefit solely by reason of being a holder of ordinary securities in Helloworld) and their Associates.

However, this does not apply to a vote cast in favour of the ETG Resolution by:

- a person as proxy or attorney for a person who is entitled to vote on ETG Resolution, in accordance with directions given to the proxy or attorney to vote on the ETG Resolution in that way;
- the Chair of the General Meeting as proxy or attorney for a person who is entitled to vote on the ETG Resolution, in accordance with a direction given to the Chair to vote on the ETG Resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on the ETG Resolution; and
 - the holder votes on the ETG Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Helloworld has not identified any other person who will obtain a material benefit as a result of the Proposed Transaction (except a benefit solely by reason of being a holder of ordinary securities in Helloworld).

1.5 IMPLICATIONS OF THE PROPOSED TRANSACTION PROCEEDING

- ✓ The Proposed Transaction presents an opportunity for Helloworld to expand its existing retail network presence in Australia and New Zealand;
- ✓ The Proposed Transaction is strategically compelling for Helloworld as it recognises that the ticket consolidation business of ETG and Helloworld together will enable a competitively stronger business;

- ✓ The Proposed Transaction represents an attractive financial impact, with earnings accretion expected from FY2024 and a reasonable multiplier of 7 times forecast earnings for FY2023;
- ✓ The Proposed Transaction enables strong synergies through the use of Helloworld's Smart Tickets solutions, enabling the ETG agent networks to engage with the best in market solutions while continuing to work with the ETG team; and
- ✓ The two tranche payment and escrow agreement for the consideration shares provides a further de-risking of the transaction.

1.6 IMPLICATIONS OF THE PROPOSED TRANSACTION NOT PROCEEDING

In the event that the Proposed Transaction is not approved or does not otherwise proceed, there will be various implications, including:

- Helloworld will not acquire the ETG Group and will also not pay and provide the consideration to the Vendors.
- Helloworld will have incurred adviser and other transaction related costs of approximately \$0.5 million in planning and seeking to implement the Proposed Transaction, without having acquired the ETG Group and therefore without receiving any benefits from the Proposed Transaction.
- The expected advantages, disadvantages and other matters arising from the Proposed Transaction set out in this Explanatory Memorandum will not occur.
- Helloworld will continue to operate in its current form and remain listed on the ASX.

1.7 INDEPENDENT EXPERT'S CONCLUSION

Listing Rule 10.5.10 requires a notice of meeting containing a resolution under 10.1 to include a report on the transaction from an independent expert as to whether the transaction is fair and reasonable so far as shareholders whose votes are not to be disregarded are concerned. The Independent Expert is required to be independent from Helloworld in accordance with Regulatory Guide 112 issued by ASIC.

In accordance with Listing Rule 10.5.10, the Helloworld Board have appointed Grant Thornton as the Independent Expert to prepare a report on the merits of the Proposed Transaction.

The Independent Expert has concluded that the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, in the absence of a Superior Proposal.

The Independent Expert's Report is included in full in Annexure 2 to this Explanatory Memorandum.

1.8 REASONS TO VOTE IN FAVOUR OF THE PROPOSED TRANSACTION

A summary of the Helloworld Directors' reasons to vote in favour of the Proposed Transaction are set out below.

- ✓ The Proposed Transaction presents an opportunity for Helloworld to expand its existing retail network presence in Australia and New Zealand;
- ✓ The Proposed Transaction is strategically compelling for Helloworld as it recognises that the ticket consolidation business of ETG and Helloworld together will enable a competitively stronger business;
- ✓ The Proposed Transaction represents an attractive financial impact, with earnings accretion expected from FY2024 and a reasonable multiplier of 7 times forecast earnings for FY2023;
- ✓ The Proposed Transaction enables strong synergies through the use of Helloworld's Smart Tickets solutions, enabling the ETG agent networks to engage with the best in market solutions while continuing to work with the ETG team; and
- ✓ The two-tranche payment and escrow agreement for the consideration shares provides a further de-risking of the transaction.

1.9 DETAILED REASONS WHY YOU MAY CHOOSE TO VOTE AGAINST THE PROPOSED TRANSACTION

? ***You may not agree with the recommendation of the Helloworld Board and the Independent Expert***

Notwithstanding the unanimous recommendation of the Helloworld Board and the Independent Expert's opinion that the Proposed Transaction is fair and reasonable to Non-Associated Shareholders, you may believe the Proposed Transaction is not fair and reasonable, or otherwise not in your best interest or in the best interests of Helloworld Shareholders.

? ***The risk profile of Helloworld will change***

Helloworld Shareholders are currently exposed to certain risks by virtue of having an equity interest in Helloworld. If the Proposed Transaction proceeds, Helloworld Shareholders will maintain a level of exposure to these risks and will be exposed to additional risks specific to the Proposed Transaction and those relating to the ETG Group. These risks are set out in greater detail in Section 1.12.

? ***Shareholding and voting power in Helloworld will be diluted by the new Helloworld Shares to be issued to the Vendors under the Proposed Transaction***

Upon Completion of the Proposed Transaction, the Vendors will be issued with 3,647,998 in Helloworld Shares as part of the Tranche 1 Payment, but the shareholding of the existing Helloworld Shareholders will not change. Consequently, existing Helloworld Shareholders' interests in Helloworld will be diluted from holding 100% of Helloworld shares to approximately 97.6% of shares on issue. Additional Helloworld Shares will also be issued as part of the Tranche 2 Payment, resulting in further dilution of existing ordinary shareholders.

1.10 HELLOWORLD DIRECTORS' RECOMMENDATION AND VOTING INTENTIONS

The Helloworld Directors recommend, after carefully considering each of the advantages and disadvantages of, and risks associated with, the Proposed Transaction and having regard to the conclusion of the Independent Expert, that Helloworld Shareholders should vote in favour of the ETG Resolution at the General Meeting in the absence of

a Superior Proposal and subject to the Independent Expert continuing to conclude that the Proposed Transaction is fair and reasonable to Non-Associated Shareholders.

In reaching their recommendation, the Helloworld Directors have had regard to a range of factors including those set out in Section 1.8 above.

The Helloworld Directors recommend that all Helloworld Shareholders read and carefully consider all the material set out in this Explanatory Memorandum before deciding how they will vote.

All Helloworld Directors intend to vote in favour of the ETG Resolution at the General Meeting, in respect of all Helloworld Shares held by them or in which they otherwise have a relevant interest, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders. The Helloworld Directors do not have any material personal interest in the outcome of the ETG Resolution other than as a result of their interest arising solely in the capacity of Helloworld Shareholders. As at the date of this Explanatory Memorandum, the Helloworld Directors hold or control in aggregate approximately 26.77% of Helloworld Shares on issue.

1.11 SUMMARY OF TRANSACTION DOCUMENTS

1.11.1 Share Purchase Agreement

On 22 June 2023, Helloworld and certain of its Affiliated entities, entered into the Share Purchase Agreement with each of the Vendors, being corporate entities associated with the Alysandratos and Manwaring families (each a **Vendor Group**). The Share Purchase Agreement sets out the obligations of the parties in connection with the Proposed Transaction and the key terms of the Proposed Transaction. The material terms of the Share Purchase Agreement include:

- **(Vendor Guarantees)** each Vendor Group's obligations are respectively guaranteed personally by Dennis Alysandratos and Tom Manwaring;
- **(Sale and purchase)** mechanical provisions recognising that the Purchasers will acquire 100% of the shares on issue in the capital of each of the ETG Entities;
- **(Consideration in multiple tranches)** consideration is payable under the Share Purchase Agreement in two tranches, being the Tranche 1 Payment on Completion, and the Tranche 2 Payment approximately 2 months after Completion. Consideration is a mix of cash and new Helloworld Shares; and
- **(Conditions precedent to completion)** Completion being conditional on the satisfaction (or waiver) of four conditions precedent, being:
 - Shareholder approval of the ETG Resolution at the General Meeting;
 - Express Travel Group Pty Ltd completing the acquisition of 100% of the issued capital (on a fully diluted basis) of First Travel Group Ltd (NZ Company Number 7239880) (which may be waived in writing by the Purchasers);
 - The retention of no less than 90% of existing staff to ensure continuity of service for customers and agent network members (which may be waived in writing by the Purchasers); and
 - The retention of no less than 90% of the agent members to ensure the underlying business remains value for money for Helloworld Shareholders (which may be waived in writing by the Purchasers).
- **(Conduct restrictions pending Completion)** the Vendors are required to operate the business of the ETG Group in the usual and ordinary course between execution and exchange of the Share Purchase Agreement, and Completion;
- **(Warranties, representations and specific indemnities)** customary warranties, representations and specific indemnities provided by the Vendors in favour of the Purchasers (including warranties in relation to each Vendor's title to the shares, capacity to enter into the Share Purchase Agreement and undertake the Proposed Transaction and accuracy of information provided as part of the due diligence process);

- **(Vendors' limitation of liability)** a dedicated limitation of liability framework which specifies that each Vendor will be jointly and severally liable for claims arising under the Share Purchase Agreement (other than in respect of title and capacity warranties in which case the Vendors will be severally liable to the extent of their respective proportions of sale proceeds);
- **(Purchasers' right to set off against Tranche 2 Payment)** a right in favour of the Purchasers to set off any Resolved Claims against the Vendors; and
- **(Termination)** the Share Purchase Agreement may be terminated by the Purchasers by written notice to the Vendors if the Vendors are in default of a material obligation under the Share Purchase Agreement which remains unremedied for a period of 10 Business Days.

1.11.2 Voluntary Escrow Deed

The Voluntary Escrow Deed is to be entered into by Helloworld and each Vendor receiving fully paid ordinary shares in Helloworld as consideration under the Share Purchase Agreement, the terms of which mandate certain disposal restrictions on each Vendor for the period commencing on the Tranche 2 Payment Date and ending 12 months after that date.

1.11.3 Restraint Deed Poll

The Restraint Deed Poll is to be entered into by each Vendor named under the Share Purchase Agreement, and imposes one way non-compete, non-solicit and non-poach obligations (**Restrictive Covenants**) on each of the upstream Vendor entities. The Restraint Deed Poll executed in favour of the Purchasers named under the Share Purchase Agreement offer the Purchasers contractual rights of enforcement and recourse against the Vendors and their Affiliates in the event of a breach by any of those parties of a Restrictive Covenant.

1.12 RISKS

There are also other considerations and risks which Helloworld Shareholders should consider in deciding whether or not to approve the Proposed Transaction.

(a) Integration risk

Helloworld Shareholders may believe that the business will not be capable of being integrated with the Helloworld Group within a timely manner and result in a negative impact to business performance.

(b) Valuation risk

Helloworld Shareholders might disagree with the assessment of the Helloworld Board and the Independent Expert as to the value of the interests which Helloworld is acquiring under the Proposed Transaction, and whether Helloworld is paying an appropriate price for the interests acquired.

(c) Conditions precedent

The Proposed Transaction is subject to certain conditions precedent in the Share Purchase Agreement being either satisfied or waived (as outlined in Section 1.2).

The Proposed Transaction will not be implemented unless all of the condition's precedent have been satisfied or waived. As such, a failure to satisfy any of the conditions precedent, or a delay in satisfaction of the conditions precedent could result in the prevention or delay in completion of the Proposed Transaction which may adversely impact the price or value of Helloworld Shares.

1.13 INTENDED SOURCE OF FUNDS

Listing Rule 10.5.5 requires disclosure, in the case of an acquisition of a substantial asset, of the intended source of funds to pay for the acquisition.

The funding for the cash consideration payable by Helloworld to the Vendors will come from existing Helloworld cash holdings.

1.14 TAX CONSEQUENCES

There will be no Australian capital gains tax consequences for Helloworld Shareholders if the Proposed Transaction is implemented as Helloworld Shareholders will continue to hold their Helloworld Shares, unless they elect to dispose of them.

This is a general statement as to the likely Australian tax consequences for Helloworld Shareholders. However, it is not intended to provide taxation advice in respect of the particular circumstances of any Helloworld Shareholder. Helloworld Shareholders should obtain their own taxation advice.

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2 Additional Information

2.1 CONSENTS

Grant Thornton has given and has not withdrawn as at the date of this Explanatory Memorandum, its written consent to the Independent Expert's Report being included in this Explanatory Memorandum, and also to the issue of this document with references to its name, in the form and context in which it appears.

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3 Glossary

Defined term	Meaning
\$ or A\$	Australian dollars.
ABN	an Australian Business Number issued by the Australian Business Register.
AEST	the legal time in Melbourne, Australia.
Affiliate	means, in relation to any entity, any other entity that: <ul style="list-style-type: none"> ▪ is a Related Body Corporate of the first mentioned entity; or ▪ Controls is Controlled by, or is under common Control with, the first mentioned entity.
ASIC	Australian Securities and Investments Commission.
Associate	has the meaning given to that term in Listing Rule 19.12.
ASX	ASX Limited ABN 98 008 624 691 or the financial market operated by ASX known as the Australian Securities Exchange, as the context requires.
Chair	the chair of the General Meeting.
Completion	Completion of the Proposed Transaction in accordance with the Share Purchase Agreement. Complete and Completed have a corresponding meaning.
Control	the meaning given in the Share Purchase Agreement.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Corporations Regulations	the <i>Corporations Regulations 2001</i> (Cth).
CTG	CTG Investments Pty Ltd ACN 134 721 823. An associate company of Sintack Pty Ltd and 50% owner of the ETG Group.
ETG Entity (and collectively ETG Group or Express Travel Group)	Each of: <ul style="list-style-type: none"> (a) Express Travel Group Pty Ltd ACN 137 526 599; (b) italktravel Pty Ltd ACN 145 355 960; (c) Creative Cruising Pty Ltd ACN 623 159 160; (d) Express IP Holdings Pty Ltd ACN 600 346 987; (e) Orient Express Travel Group Pty Ltd ACN 164 155 739; (f) First Travel Group Limited NZ Company Number 7239880; (g) First Fares Limited NZ Company Number 5191801; (h) First Travel Limited NZ Company Number 5822808; (i) Express Tickets Limited NZ Company Number 8187427;

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Defined term	Meaning
	(j) First Travel Collective Limited NZ Company Number 8095396; (k) Siteconnect Limited NZ Company Number 8281861; (l) Independent Travel Advisors Limited NZ Company Number 8145493; (m) Lifestyle Holidays Limited NZ Company Number 3536191; (n) Cruise Spirit Limited NZ Company Number 8145409; (o) You Travel Limited NZ Company Number 5923901; and (p) Creative Cruising NZ Limited NZ Company Number 7398596.
ETG Resolution	the resolution set out in the Notice of General Meeting.
ETG Shares	100% of the issued share capital in each ETG Entity.
Explanatory Memorandum	this document including the Notice of General Meeting.
General Meeting	the meeting convened by the Notice of General Meeting and proposed to be held at 10.00am on Wednesday, 26 July 2023 as a virtual (online only) meeting.
Helloworld	Helloworld Travel Limited ACN 091 214 998.
Helloworld Board	the board of Helloworld Directors.
Helloworld Directors	the directors of Helloworld.
Helloworld Group	Helloworld and its subsidiaries.
Helloworld Information	all information in this Explanatory Memorandum other than the Independent Expert's Report.
Helloworld Share Register	the register of members of Helloworld maintained by Helloworld in accordance with the Corporations Act.
Helloworld Shareholders	a person who is registered in the Helloworld Share Register as the holder of at least one Helloworld Share.
Helloworld Shares	fully paid ordinary shares in the capital of Helloworld.
Independent Expert or Grant Thornton	Grant Thornton Corporate Finance Pty Ltd ACN 003 265 987.
Independent Expert's Report	the report prepared by the Independent Expert which is contained in Annexure 2 to this Explanatory Memorandum.
Listing Rules	the listing rules of the ASX.
Letter from the Chair	the letter from the Chair enclosed with this document.
Non-Associated Shareholders	Helloworld Shareholders not associated with the Proposed Transaction.

Defined term	Meaning
Notice of General Meeting	the notice of General Meeting included in Annexure 1 to this Explanatory Memorandum.
NZ	New Zealand.
Proposed Transaction	the meaning given to that term in Section 1.2.
Proxy Form	the Proxy Form for the General Meeting accompanying this Explanatory Memorandum or, as the context requires, any replacement or substitute proxy form provided by or on behalf of Helloworld.
Purchasers	Helloworld and certain of its Affiliated entities (as set out in the Share Purchase Agreement).
Related Body Corporate	the meaning given to that term in the Corporations Act, but, for the avoidance of doubt, disregarding section 48(2) of the Corporations Act in respect of shares held or powers exercisable by any body corporate acting as trustee of a trust where those unitholders or beneficiaries of that trust that are (in aggregate) entitled to a majority of the distributions from the trust together Control the corporate trustee.
Relevant Interest	the meaning given in the Corporations Act.
Restrictive Covenant	has the meaning given in Section 1.11.3.
Section	a section in this Explanatory Memorandum.
Share Purchase Agreement	the Share Purchase Agreement between, among others, the Purchasers and the Vendors relating to the ETG Shares dated 22 June 2023.
Sintack	Sintack Pty Ltd ACN 056 578 691.
Tranche 1 Payment	has the meaning given in Section A of the Letter from the Chair.
Tranche 2 Payment	has the meaning given in Section A of the Letter from the Chair.
Transaction Documents	the documents described in Section 1.11.
Vendors	Each of: <ul style="list-style-type: none"> ▪ Dragonhills Pty Ltd ACN 106 334 454; ▪ CTG; ▪ Orient Express Travel Group Pty Ltd ACN 164 155; ▪ S. & I. Nominees Pty Ltd ACN 077 792 995; and ▪ Toju Nominees Pty Ltd ACN 144 019 796.
Voting Entitlement Date	the date for determining Helloworld Shareholders' entitlement to vote at the General Meeting expected to be 7.00pm on Monday, 24 July 2023.

Defined term	Meaning
Voting Power	the meaning given in section 610 of the Corporations Act.

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Annexure 1 - Notice of General Meeting

Notice is given that a General Meeting of the holders of fully paid ordinary shares of Helloworld Travel Limited (**Helloworld**) will be held as a virtual (online only) meeting at 10.00am on Wednesday, 26 July 2023 for the purpose of considering, and if thought fit, to approve the ETG Resolution set out below. The virtual meeting will be conducted via the online platform at <https://investor.automic.com.au/> that allows for remote participation. There will be no physical venue for the General Meeting.

The Helloworld Board has resolved that Garry Hounsell act as Chair of the meeting.

A copy of the information required by Listing Rule 10.5 is contained in the Explanatory Memorandum, of which this notice forms part. Additional information about the General Meeting is set out in the explanatory notes that accompany and form part of this notice. Unless otherwise defined, terms used in this Notice of General Meeting have the meaning given in the Explanatory Memorandum of which this notice forms part.

ETG Resolution: Proposed Transaction

To consider and, if thought fit, to pass the following resolution:

'That, under and for the purposes of Listing Rule 10.1 and for all other purposes, Shareholder approval is given:

(a) to approve; and

(b) for Helloworld and its subsidiaries to enter into arrangements to give effect to, and to implement, the Proposed Transaction as described in the Explanatory Memorandum accompanying the notice of this meeting and any related or connected transaction or arrangement, subject to any non-substantive amendments agreed by Helloworld.'

Voting exclusion statement – ASX

In accordance with Listing Rules 10.5.9 and 14.11, Helloworld will disregard any votes cast in favour of the ETG Resolution by or on behalf of:

- Sintack or any of its Associates; or
- any other person who will obtain a material benefit as a result of the Proposed Transaction (except a benefit solely by reason of being a holder of ordinary securities in Helloworld) and their Associates.

However, this does not apply to a vote cast in favour of the ETG Resolution by:

- a person as proxy or attorney for a person who is entitled to vote on ETG Resolution, in accordance with directions given to the proxy or attorney to vote on the ETG Resolution in that way; or
- the Chair of the General Meeting as proxy or attorney for a person who is entitled to vote on the ETG Resolution, in accordance with a direction given to the Chair to vote on the ETG Resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on the ETG Resolution; and
 - the holder votes on the ETG Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

GENERAL MEETING FORMAT

Helloworld Shareholders and their proxies, attorneys and corporate representatives who plan on participating in the General Meeting are asked to register in advance at: <https://investor.automic.com.au/>.

Shareholders and proxy holders attending the General Meeting virtually will be given reasonable opportunity to participate in the General Meeting equivalent to the opportunity Shareholders and proxy holders would have had if there was a physical venue for the General Meeting.

Further details on how to participate in the General Meeting are set out in the explanatory notes that accompany and form part of this Notice of General Meeting and in the General Meeting's Online Guide which has been released to the ASX and will be available on Helloworld's website.

Helloworld Shareholders who will not have access to a device or the internet, are encouraged to appoint a proxy by either completing the Proxy Form enclosed with this Explanatory Memorandum or by appointing a proxy online at <https://investor.automic.com.au/#/loginsah/> in accordance with the instructions there (as applicable) so that it is received by no later than 10.00am on Monday, 24 July 2023.

By Order of the Helloworld Board



Sylvie Moser
Group Company Secretary
Helloworld Travel Limited

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EXPLANATORY NOTES TO THE NOTICE OF GENERAL MEETING

These explanatory notes relate to the General Meeting and ETG Resolution and should be read in conjunction with the Notice of General Meeting and the information in the Explanatory Memorandum of which that notice forms part. The Explanatory Memorandum contains important information to assist you in determining how to vote on the ETG Resolution.

1. Requisite Majority

The ETG Resolution is a resolution of Helloworld, and therefore requires a simple majority (more than 50%) of the votes cast by Helloworld Shareholders present and voting at the General Meeting, whether in person, by proxy or attorney or, in the case of a corporate Helloworld Shareholder or proxy, by a representative to pass.

2. Entitlement to vote

Subject to the voting exclusion noted above, the time for the purposes of determining voting entitlements pursuant to regulation 7.11.37 of the Corporations Regulations will be 7.00pm on Monday, 24 July 2023 (being the **Voting Entitlement Date**). Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the General Meeting.

3. Participation in the General Meeting

Helloworld Shareholders and their proxies, attorneys and duly appointed corporate representatives can participate in and vote at the General Meeting via the online platform at <https://investor.automic.com.au/>.

The online platform may be accessed via a computer or mobile or tablet device with internet access. The online platform will allow Helloworld Shareholders and their proxies, attorneys and duly appointed corporate representatives to listen to the General Meeting, cast an online vote and ask questions online.

To participate and vote online, Helloworld Shareholders will need their Shareholder Reference Number (**SRN**) or Holder Identification Number (**HIN**) (which is shown on the front of their holding statement or Proxy Form), and their postcode (or country code if outside Australia). The Helloworld Share Registry will email proxyholders their login details 24 hours prior to the General Meeting.

It is recommended that Helloworld Shareholders login to the online platform at least 15 minutes prior to the scheduled start time for the General Meeting. The General Meeting's Online Guide provides details about how to ensure your browser is compatible with the online platform as well as a step-by-step guide to successfully log in and navigate the site. The General Meeting's Online Guide will be released to the ASX and will be available on Helloworld's website at <https://www.helloworldlimited.com.au/investors/>.

Please monitor Helloworld's website and ASX announcements, where updates will be provided if it becomes necessary or appropriate to make alternative arrangements for the holding or conduct of the General Meeting.

4. How to vote

Voting at the General Meeting will be conducted by poll.

If you are a Helloworld Shareholder entitled to vote at the meeting, you may vote:

- virtually, by participating and voting via the virtual meeting online platform at <https://investor.automic.com.au/>;
- by proxy, by lodging the Proxy Form online at <https://investor.automic.com.au/> or by completing and submitting the Proxy Form in accordance with the instructions on that form. To be effective, your proxy appointment must be received by the Helloworld Share Registry by 10.00am on Monday, 24 July 2023;
- by attorney, by appointing an attorney to participate in and vote at the General Meeting on your behalf and providing a duly executed power of attorney or a certified copy of the duly executed power of attorney to the Helloworld Share Registry prior to the commencement of the General Meeting; or

- by corporate representative, in the case of a body corporate, by appointing a body corporate representative to participate in and vote at the General Meeting on your behalf, and providing a duly executed certificate of appointment (in accordance with sections 250D and 253B of the Corporations Act) prior to the commencement of the General Meeting in accordance with section 6.4 below.

Please note that Helloworld Shareholders do not have the option to vote at the General Meeting by telephone.

5 Jointly held securities

If you hold Helloworld Shares jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote at the meeting, only the first vote received will be counted.

See also the comments in section 6.2 below regarding the appointment of a proxy by persons who jointly hold Helloworld Shares.

6 Voting

6.1 Voting online

To vote online, you must participate in the General Meeting via the virtual meeting online platform at <https://investor.automic.com.au/>. Online voting will be open between the start of the General Meeting and the closing of voting as announced by the Chair during the General Meeting.

6.2 Voting by proxy

A Helloworld Shareholder entitled to participate in and vote at the General Meeting may appoint a person to participate in and vote at the General Meeting as their proxy. To do so, either they should mark the box 'Appoint a Proxy' in step 1 of the Proxy Form to appoint the Chair as their proxy or insert the name and email address of their alternative proxy in the space provided. Please refer to section 6.5 of this Notice of General Meeting below for further details in relation to how to submit the Proxy Form.

The following applies to proxy appointments:

- a proxy need not be another Helloworld Shareholder and may be an individual or a body corporate. If a body corporate is appointed as a proxy, it must ensure that it appoints an individual as its corporate representative in accordance with sections 250D and 253B of the Corporations Act to exercise its powers as proxy at the General Meeting;
- a Helloworld Shareholder who is entitled to cast two or more votes on separate holdings completes a proxy for each holding.;
- if you hold Helloworld Shares jointly with one or more other persons, in order for your proxy appointment to be valid, either Helloworld Shareholder may sign the Proxy Form; and
- each proxy will have the right to vote on the poll and to ask questions at the meeting.

A proxy cannot be appointed electronically if they are appointed under a power of attorney or similar authority. If you have appointed a proxy and you subsequently decide to log in to the live webcast of the General Meeting as a Helloworld Shareholder, your proxy's authority to speak and vote for you at the General Meeting will be suspended while you are present at the General Meeting unless you otherwise decide and have informed Helloworld of this prior to the start of the General Meeting, in which event your authority to speak and vote at the General Meeting will be suspended while your proxy is present at the General Meeting.

A vote given in accordance with the terms of a proxy appointment is valid unless the shareholder revokes or suspends the proxy by that shareholder logging into the General Meeting as a Helloworld Shareholder, or provides written notice of the revocation of that appointment to the Helloworld Share Registry, and such notice has been received by the Helloworld Share Registry before the start of the meeting (or, if the meeting is adjourned or postponed, before the resumption of the meeting in relation to the resumed part of the meeting) in any of the ways in section 6.5 below.

You should consider how you wish your proxy to vote. That is, whether you want your proxy to vote 'for' or 'against', or abstain from voting on the ETG Resolution, or whether to leave the decision to the proxy after he or she has considered the matters discussed at the meeting.

If you do not direct your proxy how to vote on the ETG Resolution, the proxy may vote, or abstain from voting, as he or she thinks fit. If you instruct your proxy to abstain from voting on an item of business, he or she is directed not to vote on your behalf, and the shares the subject of the proxy appointment will not be counted in computing the required majority.

If you return your Proxy Form:

- without identifying a proxy on it, you will be taken to have appointed the Chair as your proxy to vote on your behalf; or
- with a proxy identified on it, but your proxy does not participate in the meeting, the Chair will act in place of your nominated proxy and vote in accordance with any directions on your Proxy Form. The Chair intends to vote all available undirected proxies in favour of the ETG Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders.

6.3 Voting by attorney

You may appoint an attorney to participate in and vote at the meeting on your behalf. Your attorney need not be another Helloworld Shareholder. Each attorney will have the right to vote on the poll and also to speak at the General Meeting.

The power of attorney appointing your attorney to participate in and vote at the meeting must be duly executed by you and specify your name, the company (that is, Helloworld), details of the holding the power of attorney is representing and the attorney, and also specify the meeting at which the appointment may be used. The appointment may be a standing one.

The power of attorney, or a certified copy of the power of attorney, should be received by the Helloworld Share Registry before the commencement of the General Meeting (or, if the meeting is adjourned or postponed, before the resumption of the meeting in relation to the resumed part of the meeting) in any of the ways specified for the Proxy Form in section 6.5 below, except that the power of attorney or a certified copy of the power of attorney cannot be lodged online or by mobile device.

A validly appointed attorney wishing to participate in and vote at the General Meeting via the online platform will require the appointing Helloworld Shareholder's name and postcode and the SRN/HIN of the shareholding in order to access the online platform.

6.4 Voting by corporate representative

A body corporate that is a Helloworld Shareholder, or that has been appointed as a proxy, must appoint an individual to act as its representative at the General Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. A Corporate Representative form may be downloaded via <https://investor.automic.com.au/#/support/2/sub> or obtained from the Helloworld Share Registry by calling 1300 288 664 (+61 2 9698 5414 if overseas) between 9.00am to 5.00pm (Melbourne time) Monday to Friday (excluding public holidays). The Corporate Representative form may set out restrictions on the representative's powers.

The form must be received by the Helloworld Share Registry by 10:00am AEST Monday, 24 July (or, if the meeting is adjourned or postponed, before the resumption of the meeting in relation to the resumed part of the meeting).

Helloworld Shareholders may submit the form:

- via email, by sending it to meetings@automicgroup.com.au; or
- in any of the ways specified for Proxy Form in section 6.5 below, except that a certificate of appointment of corporate representative cannot be lodged online or by mobile device.

If a certificate is completed by an individual or corporation under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed certificate unless the power of attorney or other authority has previously been received by the Helloworld Share Registry.

A validly appointed corporate representative wishing to participate in and vote at the General Meeting via the online platform will require the appointing Helloworld Shareholder's name and postcode and the SRN/HIN of the holding in order to access the online platform.

6.5 How to submit a Proxy Form

To appoint a proxy, you should complete and submit the Proxy Form in accordance with the instructions on that form or lodge your proxy online at <https://investor.automic.com.au/#/loginsah/> in accordance with the instructions there (as applicable).

To be effective, proxy appointments must be received by way of completed Proxy Form by the Helloworld Share Registry by 10.00am on Monday, 24 July 2023 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways.

- **Online:** at <https://investor.automic.com.au/#/loginsah/> and follow the prompts.
- **By mobile device:** If you have a smart phone, you can now lodge your vote via the Automic website www.automicgroup.com.au or by scanning the QR code on the Proxy Form. To scan the code, you will need a QR code reader application which can be downloaded for free on your mobile device. Log-in using the SRN/HIN and postcode for your shareholding.
- **By post in the provided reply-paid envelope to the Helloworld Share Registry at the following address:** Share Registry – Automic, GPO Box 5193 Sydney NSW 2001.
- **By hand delivery (during normal business hours) to the Helloworld Share Registry at the following address:** Level 5, 126 Phillip Street, Sydney NSW 2000.
- **By fax to the Helloworld Share Registry on:** +61 2 8583 3040.

Proxy Forms received after this time will be invalid.

If a Proxy Form is completed by an individual or corporation under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed Proxy Form unless the power of attorney or other authority has previously been received by the Helloworld Share Registry.

For more information concerning the appointment of proxies and ways to lodge the Proxy Form, please refer to the Proxy Form.

7 Questions

Helloworld Shareholders and proxyholders will have a reasonable opportunity to ask questions during the General Meeting via the online platform (in writing)

If you are attending the General Meeting via telephone, when the Chair calls for questions, you will receive instructions on how to raise your virtual question during the General Meeting. The call moderator will assist with submitting the question to the meeting at the appropriate time.

Further instructions on how to participate during the General Meeting, online, are provided in the Meeting Online Guide which has been released to the ASX and will be available on Helloworld's website.

Helloworld Shareholders who prefer to register questions in advance of the General Meeting are also invited to do so by submitting questions online at investorrelations@helloworld.com.au.

The Chair will endeavour to address as many of the questions as possible during the course of the General Meeting. However, there may not be sufficient time available during the General Meeting to address all of the questions raised. Please note that individual responses may not be sent to Helloworld Shareholders.

Questions must be submitted to the Helloworld Share Registry by 24 July 2023.

8 Technical difficulties

Technical difficulties may arise during the course of the General Meeting. The Chair has discretion as to whether and how the General Meeting should proceed in the event that a technical difficulty arises. In exercising this

discretion, the Chair will have regard to the number of Helloworld Shareholders impacted and the extent to which participation in the business of the meeting is affected. Where the Chair considers it appropriate, the Chair may continue to hold the General Meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions.

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Annexure 2 - Independent Expert's Report

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Helloworld Travel Limited

Independent Expert's Report and Financial Services Guide

26 June 2023

Summary of Opinion

Grant Thornton Corporate Finance has concluded that the Proposed Transaction is FAIR and REASONABLE to the Non-Associated Shareholders.

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Directors
Helloworld Travel Limited
179 Normanby Road,
South Melbourne VIC 3205

26 June 2023

**Grant Thornton Corporate
Finance Pty Ltd**
Level 17
383 Kent Street
Sydney NSW 2000
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Introduction

Helloworld Travel Limited (“HLO” or “Company”) is an Australian Securities Exchange (“ASX”) listed company focused on the provision of integrated outbound and domestic travel products and services through its retail and wholesale segments. HLO’s retail segment operates under a franchise and affiliate model with over 2,064 agencies in its networks in Australia and New Zealand. The wholesale segment offers sea and land related travel products and services. In addition, HLO’s air consolidation services offers advanced technological ticketing solutions to their wide range of travel agents and networks. HLO previously operated a travel management segment which was sold in March 2022. As at the date of this report, the market capitalisation of HLO was approximately A\$422.0 million.

Express Travel Group Limited (“Express Travel Group” or “ETG” or “the Group”) is a private company which provides consolidation travel services to a network of travel agencies, tour operators and wholesalers centred around Express Tickets, a service platform, which membership groups utilise for travel products. The network of agencies that operate under ETG are split into two membership groups, independent agents and member agents. ETG is the largest group of fully independent travel agencies in Australia. Today, there are 836¹ agents around Australia and New Zealand, wherein c. 400 are member agents. For the year ending 30 June 2023 (“FY23”), ETG is expected to generate revenue of approximately A\$24.0 million and normalised EBITDA of A\$10.7 million². ETG is owned by Tom Manwaring and the Alysandratos family via Dragonhills Pty Ltd and CTG Investments Pty Ltd respectively (hereinafter collectively referred to as “Vendors”). We understand that the Alysandratos family controls Sintack Pty Ltd (“Substantial Shareholder”), holding a 13.3% stake in HLO.

On 22 June 2023, HLO entered into a binding Share Purchase Agreement (“SPA”) to acquire the Group (“Proposed Transaction”) for a total purchase price of A\$70.0 million (“Purchase Price”), subject to completion adjustments, comprising the following:

- A\$50.0 million payable at completion (“Tranche 1 Payment”) via A\$40.0 million cash plus A\$10.0 million in HLO shares calculated based on the VWAP over the 20 business days prior to the announcement of the Proposed Transaction. The number of HLO shares to be issued is estimated at 3,647,998 based on the VWAP as at 21 June 2023.
- A\$20.0 million payable 14 days after the FY23 audited accounts are agreed or determined in accordance with the terms of the SPA (“Tranche 2 Payment”). The Tranche 2 Payment comprises A\$15.0 million cash plus A\$5.0 million in HLO shares calculated based on the VWAP over the 14 days following the determination of ETG’s FY23 audited accounts. The number of HLO shares to be issued

¹ ETG Management accounts and Financial due diligence report

² Ibid

is estimated at 1,823,842 based on the VWAP as at 21 June 2023.

The SPA includes a completion adjustment equivalent to the positive or negative difference between the estimated net debt and working capital at completion compared with the target net debt and working capital as it is customary for a transaction of this type. The target net debt is estimated at A\$nil ("Target Net Debt") and the target working capital is estimated at A\$2.2 million ("Target Working Capital").

The Transaction is subject to customary conditions precedent including: 1) approval by HLO's shareholders ("HLO Shareholders" or "Shareholders"); 2) at least 90.0% of ETG's employees transferring to HLO; and 3) less than 10.0% of the agents have notified of their intention to terminate their contractual relationships with ETG.

Upon completion of the Proposed Transaction, it is estimated that the Substantial Shareholder's interest in HLO will increase from 13.3% to 14.2% with the execution of Tranche 1 Payment based on the VWAP as at 21 June 2023³. This will increase to 14.6% with Tranche 2 Payment taking effect 14 days following the determination of ETG's FY23 audited accounts.

The Directors of HLO ("Directors") unanimously recommend shareholders not associated with the Proposed Transaction ("Non-Associated Shareholders") to vote in favour of the resolutions to approve the Proposed Transaction, subject to the positive recommendation of an Independent Expert.

Purpose of the report and approach

The Proposed Transaction constitutes the acquisition of a substantial asset from a substantial holder in accordance with ASX Listing Rule 10.1. Consequently, the Directors have commissioned Grant Thornton Corporate Finance Pty Limited ("Grant Thornton Corporate Finance" or "GTCF") to prepare an independent expert's report ("IER") to assess whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders for the purposes of Chapter 10 of the ASX Listing Rules.

When preparing this IER, Grant Thornton Corporate Finance has had regard to the Australian Securities Investment Commission's ("ASIC") Regulatory Guide 111 *Contents of expert reports* ("RG 111") and Regulatory Guide 112 *Independence of experts* ("RG 112"). The IER also includes other information and disclosures as required by ASIC.

Summary of the opinion

Grant Thornton Corporate Finance has concluded that the Proposed Transaction is FAIR and REASONABLE to the Non-Associated Shareholders.

In forming its opinion, Grant Thornton Corporate Finance has considered whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders and other quantitative and qualitative considerations.

Fairness assessment

In forming its opinion in relation to the fairness of the Proposed Transaction to the Non-Associated Shareholders, Grant Thornton Corporate Finance has compared the fair market value of the Purchase

³ Of the total number of shares adjusted for VWAP (i.e., 5,471,997), 50.0% is attributable to Tom Manwaring and 50.0% to the Alysandratos family.

Price with the fair market value of ETG on a control basis.

Fairness assessment A\$Mn	Section reference	Low	High
Fair market value of ETG	7.1	63.3	80.8
Fair value of the Purchase Price	8.1	70.0	70.0
Premium/(discount)		6.7	(10.8)
Premium/(discount) (%)		10.6%	-13.4%
FAIRNESS ASSESSMENT		FAIR	

Source: GTCF Analysis.

The fair market value of the Purchase Price is within our assessed valuation range of ETG on a control basis. Accordingly, we conclude that the Proposed Transaction is **FAIR** to HLO's Non-Associated Shareholders.

We note that our valuation assessment of ETG is based on the concept of fair market value and accordingly, we have not included any special/unique value which may accrue to HLO as a result of the Proposed Transaction.

Reasonableness assessment

We note that given the Proposed Transaction is fair, it is also reasonable. Notwithstanding this, we have also considered the following likely advantages, disadvantages and other factors associated with the Proposed Transaction.

Advantages

Strategic benefit

The Proposed Transaction will create an enlarged entity which should enhance the ability of HLO to pursue growth opportunities, access greater quantities of resources and have a broader commercial reach due to the following:

- The Proposed Transaction will increase the scale and product range of HLO across similar market verticals, new geographies and end-customers, which should enhance its competitive positioning in the marketplace and provide long-term benefits for the Non-Associated Shareholders.
- ETG is currently a private company which has mainly focused on consolidation services on leisure and travel. The amount of resources and funds dedicated to digitisation, software development, marketing and sales has been limited. Based on discussions with HLO, we understand that ETG may benefit from HLO's more structured and sophisticated approach which may assist in accelerating the future growth of the enlarged business.

Earning accretive transaction

ETG is expected to generate significant profit growth in FY23 on the back of strong demand recovery after the COVID-19 pandemic. As a result, completion of the Proposed Transaction will not represent a drag for HLO from a cash flow and earnings perspective given that HLO expects the acquisition of ETG to be

earnings per share (“EPS”) accretive in FY23 on a pro-forma basis before synergies and excluding integration costs.

Combined expertise and skills of the workforce

In conjunction with the Proposed Transaction, HLO has secured the services of the current CEO of ETG for a period of time which will ensure an appropriate period of transition and the ability of HLO to leverage off their knowledge of ETG to support the growth of the business.

Synergies realisation and business combination benefits

The Proposed Transaction is expected to create material synergies for HLO which are briefly summarised below:

- HLO has engaged an independent third-party consultant to undertake a review of the override commission given the significant overlap of travel operators across the two companies. If HLO will earn commission going forward from the acquired ETG TTV in line with the existing HLO contracts, it will result in an annualised override commission uplift of c. A\$2.0 million.
- Cost savings are expected to be realised from the elimination of expenses such as fees paid to ticketing services that will be replaced with HLO’s Smart Tickets system and accounting and other administration costs that will be immediately available.
- Further savings relating to the duplicated corporate costs including technology and communications, administration and occupancy expenses are anticipated, the majority of which are expected to be realised over the next two to three years.

Disadvantages

Volatile market conditions

Consumer confidence is a measure of optimism amongst households regarding their financial situation, current economic conditions, unemployment, and capability of savings. Travel is a discretionary expenditure item and thus changes in consumer sentiment and real household discretionary income have a major effect on travel decisions. High inflation in Australia (7.0% as of the 2023 March Quarter⁴) has raised the cost-of-living pressure on Australian households, causing consumer sentiment to decline. During the pandemic, Australian households were able to accumulate savings, which provided a buffer to the rising interest rates and inflationary pressures. It is forecasted that the accumulated COVID-19 pandemic savings will run out by 2024⁵.

The above factors may lower consumer confidence, limit discretionary income and decrease travel expenditure which may potentially affect the future financial performance of ETG. Despite EBITDA losses in FY20, FY21 and in FY22, HLO is showing a strong recovery, reflected in its recent upgrade from its initial FY23 guidance of A\$28.0 million - A\$32.0 million to A\$38.0 million - A\$42.0 million, with a 1HFY23 underlying EBITDA of A\$15.6 million. ETG followed a similar trend with an underlying EBITDA loss of c. A\$0.6 million in FY22 and an estimated underlying EBITDA of A\$10.7 million in FY23.

⁴ Australian Bureau of Statistics – Consumer Price Index, Australia dated March 2023

⁵ Australian Trade and Investment Commission – Tourism Forecasts for Australia (2022)

The recent strong recovery of HLO and ETG earnings should be considered in light of the challenging economic environment expected in the near term for its effects on disposable incomes. Further, regard should be given to the possibility that the recent recovery in the travel industry may include the benefit of pent-up demand which may or may not be sustainable in the longer term. The timing of the Proposed Transaction is somewhat beneficial for ETG given it comes at a time when the current buoyant industry conditions due to COVID-19 are reflecting significant growth in EBITDA.

Risks in integration of HLO and ETG

While both HLO and ETG operate in the same industry, there is an element of inherent risk in a case wherein the integration of the two companies' businesses and management takes longer than expected, thus impacting the timeframe within which the anticipated synergies may be realised. This risk could be multifaceted, including the inability to streamline the potential opportunities and agent networks, and a potential friction in the combined operations among others.

Other factors

Arm's length negotiations

The Proposed Transaction was negotiated on an arm's length basis, with third party advice and a robust due diligence process. The terms of the deal also provide some additional protection for the Non-Associated Shareholders in relation to the terms of the Tranche 2 Payment.

Escrowed shares

HLO and each of the Vendors have entered into a Voluntary Escrow Deed which mandate certain disposal restrictions on each Vendor for the period of 12 months after the payment of Tranche 2. The disposal restrictions imposed on the scrip consideration will reduce the value of those shares in the hands of the Vendors compared with HLO shares freely tradeable on the ASX. We have not included this value reduction in our valuation assessment of the Purchase Price.

Likelihood to receive a premium for control in the future

The increase of the Substantial Shareholder's interest in HLO from 13.3% to 14.2% with the execution of Tranche 1 Payment and thereafter to 14.6% with the execution of Tranche 2 Payment does not, in our opinion, materially decrease the likelihood of the Non-Associated Shareholders receiving a premium for control in the future.

Reasonableness conclusion

Based on the qualitative factors identified above, it is our opinion that the Proposed Transaction is **REASONABLE** to the Non-Associated Shareholders.

Overall conclusion

After considering the above mentioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Proposed Transaction is **FAIR AND REASONABLE** to the Non-Associated Shareholders in the absence of a superior alternative proposal emerging.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to vote in favour of the Proposed Transaction is a matter for each Non-Associated Shareholder to decide based on their own views of the value of HLO and ETG and expectations about future market conditions, HLO's performance, risk profile and investment strategy. If Non-Associated Shareholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

Yours faithfully,
GRANT THORNTON CORPORATE FINANCE PTY LTD



ANDREA DE CIAN
Director



JANNAYA JAMES
Director

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

HLO appointed Grant Thornton Corporate Finance Pty Ltd to provide general financial product advice in the form of an independent expert's report in relation to the Proposed Transaction.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the report, Grant Thornton Corporate Finance will receive from HLO a fixed fee of A\$125,000 (plus GST) which is based on commercial rates, plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of HLO in order to provide this report. The guidelines for independence in the preparation of independent expert's reports are set out in RG 112 *Independence of expert* issued by ASIC. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

“Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with HLO (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of RG 112 “Independence of expert” issued by the ASIC.”

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Australian Financial Compliance Authority (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Compliance Authority who can be contacted at:

Australian Financial Compliance Authority
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 931 678

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

7 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

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1 Outline of the Proposed Transaction

We have set out below the other key terms of the Proposed Transaction.

- Conditions precedent – The SPA includes the following conditions precedent which are listed in a non-exhaustive manner:
 - HLO Shareholder approval.
 - ETG completing the First Travel Group (“FTG”) acquisition, in a manner and form satisfactory to HLO, acting reasonably.
 - Transferring employees – At least 90.0% of the transferring employees accept an offer of employment from HLO on terms acceptable to HLO.
 - Retention of agents – Less than 10.0% of the ETG's agents have notified ETG of their intent to terminate their contractual relationship with ETG.
- The total Purchase Price is subject to a working capital and net debt completion adjustment calculated as the difference (positive or negative) between the estimated net working capital and the net debt⁶ at completion and the agreed target net working capital of A\$2.2 million and net debt of A\$nil.
- The SPA includes transitional IT assistance from the announcement of the Proposed Transaction to allow the Group continued access to an online 'white label' ticketing technology platform.
- HLO must as soon as practicable, and in any event, no later than 20 business days, after the scheduled completion date, being 31 July 2023, procure that the Group prepares and gives to the vendors the draft completion accounts including a draft statement of the completion working capital amount and the completion net debt.

⁶ Defined as current assets less current liabilities.

2 Purpose and scope of the report

2.1 Purpose of the report

Chapter 10 of the ASX Listing Rules requires the approval from the non-associated shareholders of a company if the company proposes to acquire or dispose of a substantial asset from a substantial holder.

ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration, is 5.0% or more of the equity interest of the entity as set out in the latest financial statement provided to the ASX⁷.

In regards to the Proposed Transaction, we note that Substantial Shareholder holds 13.3% of the issued capital of HLO and the Purchase Price of A\$70.0 million represents more than 5.0% of the latest shareholders' equity of HLO as set out in the latest financial statement provided to the ASX and therefore the Proposed Transaction constitutes an acquisition of a "substantial asset" from a substantial shareholder for the purposes of ASX Listing Rules.

ASX Listing Rule 10.5.10 requires that the Notice of Meeting and Explanatory Memorandum be accompanied by a report from an independent expert stating whether the transaction is fair and reasonable to the non-associated shareholders.

Accordingly, the Directors have requested Grant Thornton Corporate Finance to prepare an independent expert's report stating, whether in its opinion, the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders for the purpose of ASX Listing Rule 10.1.

2.2 Basis of assessment

Grant Thornton Corporate Finance has had regard to RG 111 in relation to the content of its independent expert report and RG 76 in relation to related party transactions. RG 76 largely refers to RG 111 in relation to the approach to related party transactions.

RG 111 establishes certain guidelines in respect of independent expert's reports prepared for the purposes of the Corporations Act. RG 111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" in the context of a takeover offer. RG 111 also regulates independent expert's reports prepared for related party transactions in clauses 52 to 63. RG 111 notes that an expert should focus on the substance of the related party transaction, rather than the legal mechanism and, in particular where a related party transaction is one component of a broader transaction, the expert should consider what level of analysis of the related party aspect is required.

We note that RG111 clause 56 states the following:

RG 111.56 Where an expert assesses whether a related party transaction is 'fair and reasonable' (whether for the purposes of Chapter 2E or ASX Listing Rule 10.1), this should not be applied as a composite test—that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal, as we do not consider this

⁷ HLO Half Year 2023 ("1HFY23") Financial Report released on 20 February 2023

provides members with sufficient valuation information (See Regulatory Guide 76 Related party transactions (RG 76) at RG 76.106–RG 76.111 for further details).

Accordingly, in the consideration of the Proposed Transaction, the expert should undertake a separate test of the fairness and then analyse the advantages and disadvantages for the non-associated shareholders.

RG 111 notes that a related party transaction is:

- Fair, when the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired.
- Reasonable, if it is fair, or, despite not being fair, after considering other significant factors, shareholders should vote in favour of the transaction.

In considering the fairness of the Proposed Transaction, we have compared the fair market value of ETG to the fair market value of the Purchase Price.

In considering whether the Proposed Transaction is reasonable to the Non-Associated Shareholders, we have considered a number of factors, including:

- Whether the Proposed Transaction is fair.
- The implications to HLO and the Non-Associated Shareholders if the Proposed Transaction is not approved.
- Other likely advantages and disadvantages associated with the Proposed Transaction as required by RG111.
- Other costs and risks associated with the Proposed Transaction that could potentially affect the Non-Associated Shareholders.

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to the Proposed Transaction with reference to the RG112.

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Proposed Transaction other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Transaction.

2.4 Consent and other matters

Our report is to be read in conjunction with the Notice of Meeting dated on or around 22 June 2023 in which this report is included, and is prepared for the exclusive purpose of assisting the Non-Associated

Shareholders in their consideration of the Proposed Transaction. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Notice of Meeting.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Transaction to the Non-Associated Shareholders as a whole. We have not considered the potential impact of the Proposed Transaction on individual shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Transaction on individual shareholders.

The decision of whether or not to vote in favour of the Proposed Transaction is a matter for each HLO shareholder based on their own views of the value of HLO and expectations about future market conditions, HLO's performance, their individual risk profile and investment strategy. If shareholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

2.5 Compliance with APES 225 Valuation Services

This report has been prepared in accordance with the requirements of the professional standard APES 225 Valuation Services ("APES 225") as issued by the Accounting Professional & Ethical Standards Board. In accordance with the requirements of APES 225, we advise that this assignment is a Valuation Engagement as defined by that standard as follows:

"An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time."

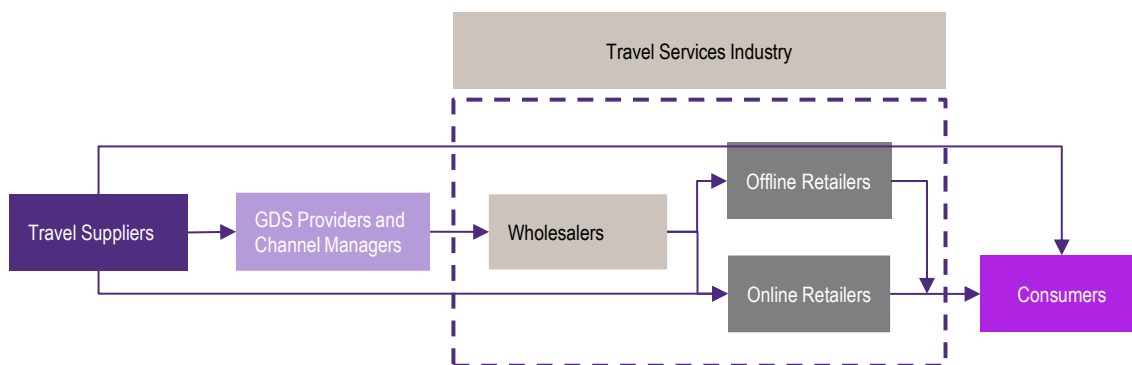
3 Industry overview

HLO operates as an integrated travel services company comprising retail travel businesses, air ticket consolidation, wholesale, online and inbound operations in Australia, New Zealand and internationally. Similarly, ETG is a group of independent travel agencies in Australia that offers technology and support services to its agency networks across Australia and New Zealand as well as cruise and holiday packages through its subsidiary Creative Cruising Pty Ltd. Both HLO and ETG operate primarily in Australia. Accordingly, we have provided an overview of the Australian travel services industry.

3.1 Introduction

The travel services industry consists of wholesale and retail operators providing travel information, reservation and booking services for transport, accommodation and tourist attractions to personal and business travellers. The industry uses a wide variety of platforms or distribution channels to provide its services including 'offline' retail outlets, websites and call centres. The illustration below provides a simplified representation of the travel distribution model underlying the industry.

Snapshot of the travel distribution model



Source: GTFC Analysis, Broker Reports.

In relation to the above, we note the following:

- **Travel Suppliers:** Travel suppliers consist of providers of accommodation, transportation, and tourist attractions. This includes airlines, hotels, and cruise and tour operators.
- **Global distribution systems (“GDS”) Providers and Channel Managers:** GDS providers and channel managers essentially act as travel booking distributors that use electronic platforms to provide access to real time inventory availability, pricing and booking functionality.
- **Wholesalers:** The wholesale segment links the travel suppliers/GDS providers & channel managers with the retail segment. Based on their knowledge of the type of product that would appeal to a particular market, wholesalers generally negotiate volume-based discounts from suppliers to create packages that can be sold to travel agents and consumers. In more specific roles, wholesalers operate as airline sales agents, buying airline tickets in bulk at a discounted price and selling them through their relationships with travel agents and consumers.
- **Retailers:** The retail segment represents the largest part of the travel services industry. International ticketing and international tours are typically the key product offerings for this segment. The segment can be broadly categorised into offline retailers and online retailers.

- *Offline retailers* – The offline retail segment consists of traditional brick-and-mortar travel agencies as well as travel suppliers selling directly to the consumers. The travel agents earn revenues on the products they sell in the form of commissions and override commissions (paid by suppliers in the event volume targets are met or exceeded). In the case of corporate clients however, the trend has moved towards a fixed fee-based service model rather than a commissions model.

- *Online retailers* – The online retail segment is an alternative distribution channel which offers consumers the convenience of searching for and booking their travel plans over the internet. The segment consists of both local and regional operators as well as large global operators and can be categorised along the following lines:
 - *Travel supplier website*: A website operated by the travel supplier through which a consumer can book directly with the supplier (e.g., qantas.com).

 - *Travel agency website*: A website operated by a travel agency through which a consumer can access travel information and a wider range of products, in comparison to a single travel supplier website, and make bookings with the travel agency through the website (e.g., flightcentre.com).

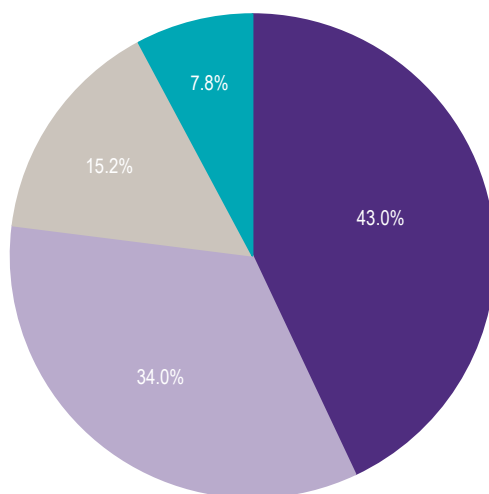
 - *Metasearch website*: A website which essentially acts as an aggregator and allows the consumer to search across multiple online travel agent and travel supplier websites at once. The bookings are either made directly or consumers are re-directed to the underlying website (e.g., kayak.com). While travel agency websites generate their revenue from commissions, metasearch websites generate revenue from online advertising.

The total tourism expenditure in Australia on air travel, accommodation services, vehicle rental and travel agency commission are estimated to total A\$156.6 billion for CY23. This consists of A\$133.7 billion of domestic expenditure (household, business & government) and A\$23.0 billion of inbound expenditure (i.e., foreigners travelling to Australia)⁸. From this, it is expected that the travel agency and tour arranging industry will generate A\$8.1 billion in revenue for 2023, with leisure (43.0%) and business and government (34.0%) travel services driving the bulk of the demand.⁹

⁸ Ibid

⁹ IBISWorld Travel Agency and Tour Arrangement Services in Australia dated January 2023

Australian travel services industry – Market segment breakdown (FY23)



■ Leisure Travel services ■ Business and government travel services ■ Inbound tour services ■ Travel consolidating services

Source: IBISWorld, January 2023.

3.2 Market Participants

With the aftermath of the COVID-19 pandemic beginning to ease, the Australian travel industry is recovering quickly with pre-pandemic revenue levels in sight. However, there is a growing preference for online booking systems and low barriers of entry for the online travel agency market¹⁰. Companies operating within the Australian travel agency industry are attempting to adapt to the changing industry dynamics and are continuing their pursuits towards diversifying their business offerings and customer services to gain more market share.

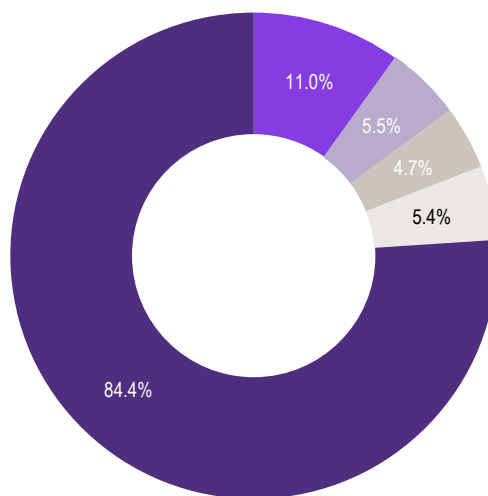
Concentration in this industry has fallen over the past five years with the growth of online travel agencies and travel aggregator websites eating into the market share of the traditional brick-and-mortar shops. Furthermore, travel agents' profit margins are under increasing pressure from the rise of online travel agencies. Internal competition is largely being driven by price, with customers using online ticketing and booking services to better compare fares and find the lowest price. As online travel agents ("OTA") have lower overhead costs than traditional brick-and-mortar stores, they are able to provide travel deals at lower prices and draw in a greater share of the tourism market. However, traditional storefront agencies still appeal to certain customers who are willing to pay for a personalised service.

In 2023, the largest four companies in the travel services industry accounted for just 26.6%¹¹ of the A\$8.1 billion industry revenue as shown in the following chart.

¹⁰ IBISWorld – Travel Agency and Tour Arrangement Services in Australia dated January 2023

¹¹ IBISWorld Travel Agency and Tour Arrangement Services in Australia dated January 2023

Australian travel services industry – Market share breakdown (FY23)



■ Flight Centre
 ■ Helloworld
 ■ Booking.com
 ■ Expedia
 ■ Other

Source: IBISWorld, January 2023.

Flight Centre Travel Group (“FLT”) is the dominant market player, accounting for approximately 11.0%¹² of the Australian travel services market. FLT operates globally with more than 30 brands worldwide and a corporate travel network that is present in more than 70 countries, offering services via both online and traditional shopfront channels. FLT is active in the industry through three segments: leisure, business travel and online bookings, and operates via a wholly owned company model. Prior to the COVID-19 pandemic, FLT was the dominant player in the travel agency market, with 17.1% of market share held in 2018. As a result of the border and travel restrictions that arose during the pandemic, FLT’s market share dropped to 4.2%, but has since recovered as restrictive legislation were progressively removed¹³.

HLO holds a market share of approximately 5.5% and operates via a franchise model. Small businesses generally join franchise networks to gain access to products, booking systems, financial, marketing and branding, and IT support. HLO also experienced similar challenges to FLT during the COVID-19 pandemic with its market share falling to 3.2% in 2021 before rebounding to its present level¹⁴.

A large portion of the industry (i.e., 84.4% of the market share as represented above) is operated by smaller scale operators. This segment of operators includes a range of firm profiles, including tour agency firms with a low staff headcount, or small independent travel agencies. Over the last five years, the regulatory barriers to entry for new participants in the industry have remained low. While travel agencies do not require a government issued license to sell travel packages to customers, many are accredited with an Australian Travel Accreditation Scheme (“ATAS”), which demonstrate a high quality of standard and business practise within the Australian tourism industry. To become accredited, travel intermediaries must comply with the ATAS accreditation scheme set out by the Australian Federation of Travel Agents, in which at least 50.0% of staff hold a Certificate III in Travel or equivalent or have at least two years of experience in selling travel products¹⁵.

¹² IBISWorld Travel Agency and Tour Arrangement Services in Australia dated January 2023

¹³ Ibid

¹⁴ IBISWorld Travel Agency and Tour Arrangement Services in Australia dated January 2023

¹⁵ Australian Federation of Travel Agents, ATAS Accreditation

3.3 Market segments and key drivers

The Australian tourism industry can be broadly segmented between domestic tourism, inbound tourism and outbound tourism. While drivers of demand tend to overlap for the three segments, their importance for each varies. The key drivers of demand for each segment, in turn, have a bearing on the travel service firms operating within the industry.

- **Domestic Tourism:** Domestic tourism accounts for the majority of the tourism expenditure in Australia, covering both overnight travel and day trips by Australians within Australia. Domestic travel opportunities were severely affected by the COVID-19 pandemic; however, demand quickly increased once the lockdowns and travel restrictions were eased.¹⁶ The key drivers of demand for domestic tourism are as follows:
 - *Consumer confidence* – Consumer confidence is a measure of optimism amongst households regarding their financial situation, current economic conditions, unemployment, and capability of savings. Travel is a discretionary expenditure item and thus changes in consumer sentiment and real household discretionary income have a major effect on travel decisions. High inflation in Australia (7.0% as of the 2023 March Quarter¹⁷) has raised cost-of-living pressures on Australian households, causing consumer sentiment to decline. During the pandemic, Australian households were able to accumulate savings, which provided a buffer to the rising interest rates and inflationary pressures. It is forecasted that the accumulated COVID-19 pandemic savings will run out by 2024, which will lower consumer confidence, limit discretionary income and decrease travel expenditure¹⁸.
 - *Business confidence* – For several travel agencies, the outsourcing of travel arrangements by the private sector and the government represents a substantial source of revenue. Established and larger travel service firms typically have an advantage in this segment of the market, as they have ongoing partnerships with government and corporate clients. Business travel expenditure is highly cyclical and reflects changes in business conditions. Thus, during an economic slowdown, the demand for travel reduces as it is often substituted with more cost-effective measures such as video conferencing. Although COVID-19 pandemic restrictions hindered travel domestically and internationally for retail and leisure consumers, corporate and government travel was not as affected, as it was more likely to be classified as essential travel¹⁹. Furthermore, corporate and government travel is less price sensitive compared to retail travel, which assisted the recovery of revenue in these segments.
- **Inbound Tourism:** Inbound tourism consists of short-term visitor arrivals to Australia for leisure and business. The number of inbound visitor arrivals rebounded from 0.3 million in CY21 to 3.7 million in CY22²⁰. Inbound arrivals are forecast to further increase by 79.0%²¹ to 6.2 million in CY23 and grow to 9.5 million in CY25²², which would exceed the total international visitor arrivals recorded for 2019 before the COVID-19 pandemic. The key drivers of demand for inbound tourism are as follows.
 - *Exchange rate* – The foreign exchange rate has a significant effect on inbound tourism. All else being equal, a depreciating Australian dollar decreases the cost of inbound travel to Australia and

¹⁶ Australian Trade and Investment Commission – Tourism Forecasts for Australia (2022)

¹⁷ Australian Bureau of Statistics – Consumer Price Index, Australia dated March 2023

¹⁸ Australian Trade and Investment Commission – Tourism Forecasts for Australia (2022)

¹⁹ IBISWorld: Travel Agency and Tour Arrangement Services in Australia dated January 2023

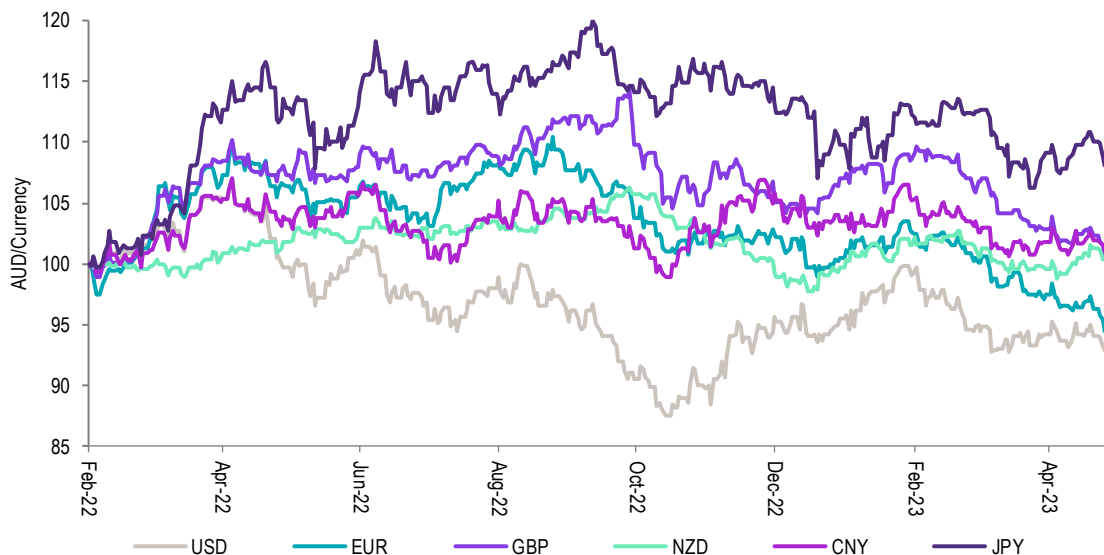
²⁰ Australian Bureau of Statistics – Overseas Arrivals and Departures, Australia dated May 2023

²¹ Australian Trade and Investment Commission – Tourism Forecasts for Australia (2022)

²² Ibid

creates a more favourable environment for inbound tourism. The historical movement of the Australian dollar (“AUD”) against leading currencies is shown below:

**Australian dollar movements against leading currencies, February 2022 to April 2023
(Index 1 February 2022 – 100)**



Source: Capital IQ, GTFC analysis.

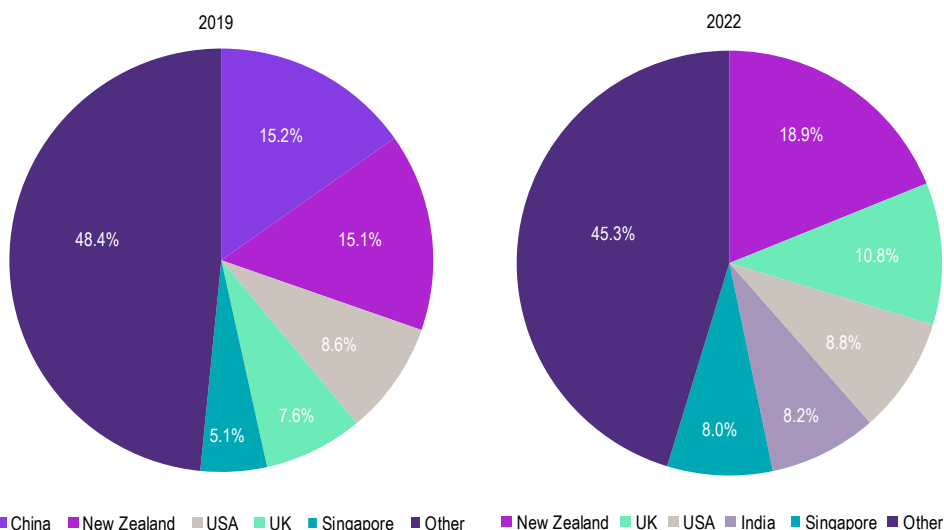
Since the removal of international travel restrictions in February 2022, the AUD foreign exchange rates have varied significantly across currencies. During 2022, the AUD exchange rate with the New Zealand dollar (“NZD”) remained relatively close to its initial exchange rate. Prior to the COVID-19 pandemic travel restrictions, New Zealand was the second highest source of arrivals by international short-term visitors making up 15.1%²³ of the 9.5 million²⁴ arrivals in 2019. In 2022, New Zealand was the country from which Australia received the highest international arrivals, making up 18.3%²⁵ of total arrivals. The stability of the foreign exchange rate of the AUD with the NZD is likely to have helped facilitate visitors from New Zealand in 2022 because it allowed visitors to maintain their purchasing power. Below is a comparison between the top countries of origin for international short-term arrivals to Australia in 2019 (9.5 million arrivals) and 2022 (3.7 million arrivals).

²³ Australian Bureau of Statistics – Overseas Arrivals and Departures, Australia

²⁴ Ibid

²⁵ Ibid

Composition of short-term arrivals in 2019 compared to 2022



Source: Australian Bureau of Statistics.

The United States dollar (“USD”) appreciated against the AUD during 2022 as a result of the interest rate policy differential between the RBA and the Federal Reserve, creating more favourable opportunities for US citizens to travel to Australia. This appreciation corresponded with a similar composition of US short-term arrivals in 2022 (8.8%) relative to 2019 (8.6%) as observed in the above chart. The Euro (“EUR”) and British Pound (“GBP”) noticeably depreciated against AUD, which could be attributed to economic uncertainty arising from the Russia-Ukraine war, and related supply chain issues that contributed to global inflationary pressures²⁶. The lower exchange rate for the GBP however did not deter UK tourists, which made up a greater proportion of Australia’s short-term arrivals in 2022 (10.8%) compared to 2019 (7.6%). The higher proportion of UK arrivals is likely to be associated with the GBP243,600.0 million^{27,28} in savings that were accumulated by UK residents during government lockdowns, leading to higher discretionary income for its citizens to spend. Forecasts for the AUD foreign exchange rates for 2023 predict it will appreciate against many leading currencies as real interest rates continue to rise, and demand for Australian commodities continues to persist^{29,30}.

- *Recovery from the COVID-19 pandemic:* Although the removal of international travel restrictions has resulted in a larger proportion of arrivals from certain major source countries (NZ, UK & US) in 2022 compared to 2019, visitor numbers have not fully recovered. The total number of short-term arrivals in 2022 to Australia only reached 39.0% (3.7 million) of pre-pandemic travel levels of 2019 (9.5 million)³¹. Before the COVID-19 pandemic, visitors from emergent economies played a significant role in Australia’s inbound tourism industry, with Chinese tourists making up 15.2%³² of short-term arrivals in 2019. However, since Australia’s border reopened in February 2022, visitor traffic from China has amounted to only 6.2%³³ of its pre-pandemic levels. This could be attributed to a multitude of factors such as China only lifting its own entry restrictions in February 2023, China’s revocation of Australia’s Approved Destination Status, and language barriers due to

²⁶ deVere Group – Impact of Russian Sanctions on the Great British Pound

²⁷ Office for National Statistics – Economic modelling of forced saving during the coronavirus (Covid-19) pandemic (June 2022)

²⁸ We have adopted the spot of AUD\$ to £GBP rate of A\$1.74 as at 6 June 2023

²⁹ Australian Financial Review – Australian dollar tipped to extend recovery in 2023 dated January 2023

³⁰ Bloomberg – Asset Managers and Analysts Clash Over Aussie Dollar’s Direction dated April 2023

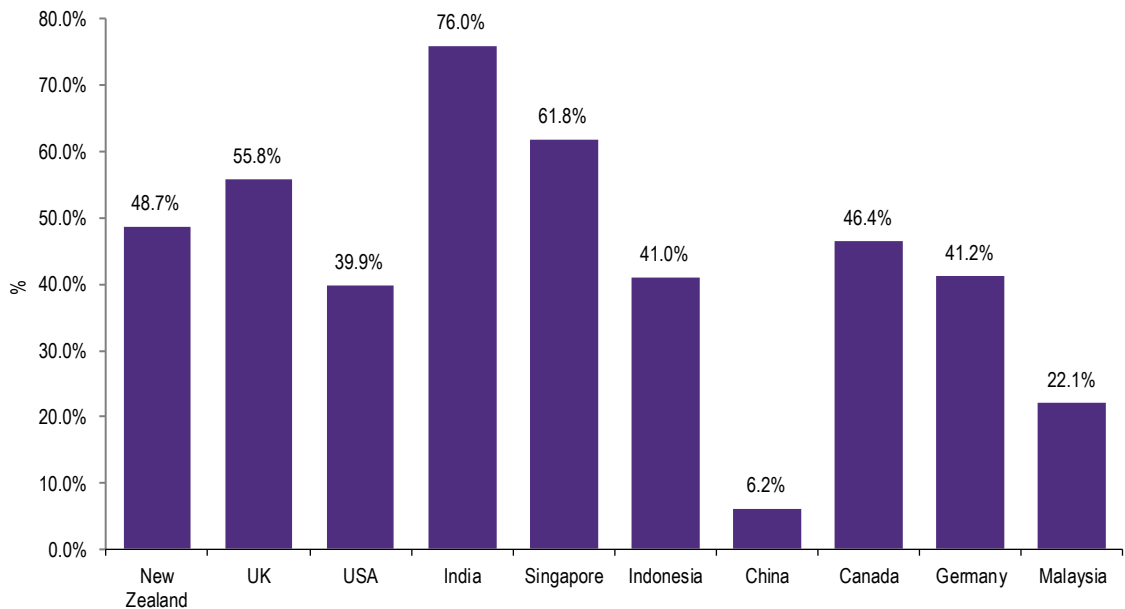
³¹ Australian Trade and Investment Commission – Tourism Forecasts for Australia (2022)

³² Ibid

³³ Ibid

a lack of tour guides³⁴. The performance of China and other top 10 source countries for short-term arrivals is illustrated in the graph below:

Top 10 short-term visitor arrival source countries, 2022 levels as a % of 2019 levels



Source: Australian Bureau of Statistics.

It's important to note that arrivals from India are helping fill the gap left by China's tourists. Short-term arrivals from India are 76.0% of their 2019 arrival figures and now account for the fourth largest source of short-term arrivals in Australia³⁵. Recent events such as the enactment of the enabling legislation to give effect to the Australia-India Economic Cooperation and Trade Agreement in December 2022, and the Australian Prime Minister's visit to India may further increase travel between the two nations. Other major source countries in the past like Singapore, New Zealand, and the UK have also recovered almost half of their 2019 arrivals, though the total number of arrivals is not forecasted to reach pre-pandemic levels until 2025³⁶. Nevertheless, the forecasted growth in tourist volume is expected to benefit inbound tour operators and contribute to growth in industry revenue.

- *Global discretionary income levels* – Global inflation is causing many issues for travellers internationally, with high interest rates and surging prices limiting real wages growth. For example, the US, which recorded inflation between 6.5% to 9.1% while interest rates rose by 402 basis points³⁷, saw a decline of 1.5% in real wages for the year ending January 2023³⁸. Similarly, the UK saw real growth in total and regular wages of 3.0% and 2.3% respectively for the year to February 2023 which was one of the largest falls in real wages growth since records began in 2001³⁹. The decline in real wages will lead to reduced discretionary expenditure, which will likely cause a decrease in demand for inbound travel from the UK to Australia.

³⁴ ABC – Chinese tourism to Australia drops dramatically compared to pre-covid numbers, despite end of travel bans dated April 2023

³⁵ Australian Bureau of Statistics – Overseas Arrivals and Departures, Australia

³⁶ Australian Trade and Investment Commission – Tourism forecasts for Australia 2022-2027

³⁷ St Louis Fed – FRED

³⁸ US Bureau of Labor Statistics – Real average weekly earnings down 1.5 percent from January 2022 to January 2023

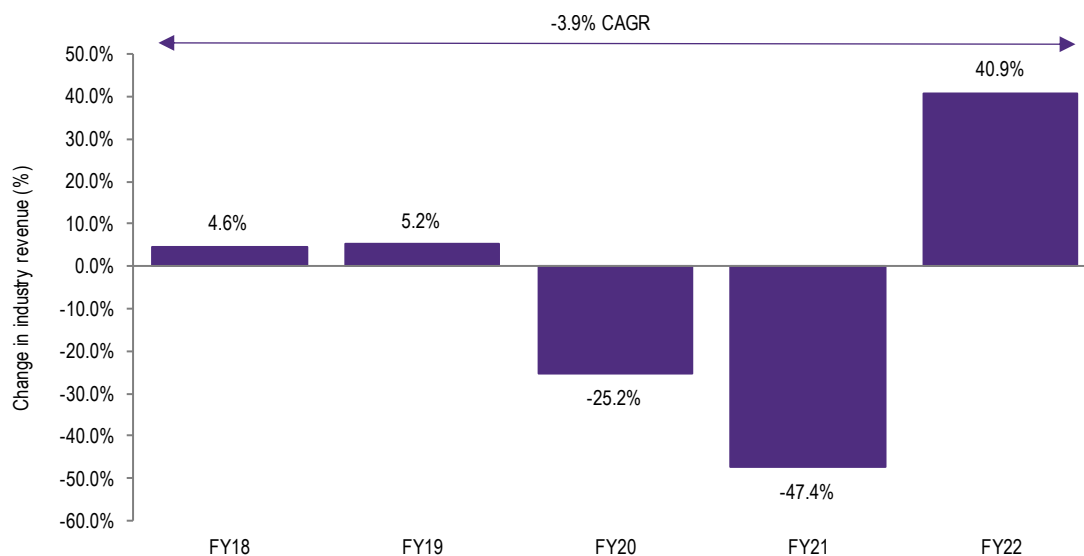
³⁹ Office for National Statistics – Average weekly earnings in Great Britain dated April 2023

- **Outbound Tourism:** Outbound tourism consists of short-term departures of resident Australians. In 2022, total overseas departures stood at 9.5 million, a sharp increase from the 2021 COVID-19 pandemic low of 0.9 million⁴⁰. The key drivers of demand for outbound tourism are as follows:
 - *Competition amongst travel suppliers:* Price competition amongst operators in the airline and hospitality industries often leads to more economical holiday packages being available and this may stimulate the demand for outbound travel.
 - *Exchange rate:* Whilst a weaker AUD is favourable for inbound travel, the opposite is true for outbound tourism. An appreciating AUD reduces the cost of international travel which makes holidaying outside Australia more attractive, thus increasing demand for outbound tourism, and accordingly, the services of travel agents⁴¹. The recent depreciation of the AUD has increased the cost of international travel which makes holidaying outside Australia a less attractive option as compared to a domestic holiday. Consumers have been observed to respond by choosing a domestic holiday location, reducing their holiday spend (such as selecting cheaper modes of transport), and/or delaying the time of their holiday.
 - *External factors:* External factors such as disease outbreaks, terrorist attacks, and natural disasters reduce the demand for travel as travellers may delay their travel plans for a later time.

3.4 Recent performance of the industry and outlook

Over the last five years, the Australian travel services industry experienced significant changes and challenges, with the annual industry revenue growth rate declining at a CAGR of 3.9%⁴² from A\$10.4 billion in 2018 to A\$8.1 billion in 2022. The historical changes in industry revenue are presented in the following chart:

Historical changes in travel service industry revenue



Source: IBISWorld, January 2023.

⁴⁰ Australian Bureau of Statistics – Overseas arrivals and departures dated March 2023

⁴¹ IBISWorld Report – Travel agency and tour arrangement services dated January 2023

⁴² IBISWorld Travel Agency and Tour Arrangement Services in Australia dated January 2023

The closure of Australia's borders by the government as well as domestic travel restrictions had massive effects on industry revenue, contributing to a decline of 25.2%⁴³ for FY20. In December 2020, the Australian government announced a A\$128.0 million package to support travel agencies in Australia, however its effects were limited⁴⁴. Although Australia's real GDP grew 5.2%⁴⁵ in 2021, the lockdown measures and travel restrictions continued to constrain demand even for international travel, which led to further declines in industry revenue. To survive, larger travel agencies were forced to lay off their workforce, such as FLT which closed 950 shopfronts of their 1400 Australian store network⁴⁶. Other smaller agencies were less fortunate and were forced to go out of business altogether⁴⁷, which led to a total of 2.6% of businesses exiting the industry in 2021⁴⁸. These challenges were compounded by Qantas reducing travel agency commissions from 5.0% to 1.0%⁸⁹, with most airlines following suit. Overall, these factors contributed to a significant further decline in industry revenue of 47.4% to A\$4.1 billion⁴⁹ in FY21.

However, the limited travel options, combined with lockdown measures and travel restrictions contributed to a sharp increase in household savings that amounted to approximately A\$240.0 billion⁵⁰ according to the Commonwealth Bank⁵¹. When Australia's travel restrictions were fully removed in February 2022, Australian households used their accumulated pandemic savings to increase their discretionary expenditure on travel related products and services. Thus, FY23 industry revenue is expected to reach A\$8.1 billion, representing a 40.9% year-end increase on 2022 industry revenue.

Current industry forecasts predicts that revenue will reach A\$9.2 billion in FY24 and grow at a forecast CAGR of 4.9%⁵² over the next five years, before reaching A\$10.3 billion in FY28.

Some of the key future trends for the travel services industry are as follows:

- *Improving demand driving industry wide recovery:* Visitor arrivals are forecasted to exceed pre-pandemic levels by 2025 and reach 11.0 million by FY27⁵³, whilst international visitor expenditure⁵⁴ is expected to reach pre-pandemic levels in 2024 and reach A\$48.8 billion by 2027⁵⁵. As a result, inbound tourist operators who rely on high volumes of international visitors to Australia are expected to benefit. Furthermore, travel agents are also set to benefit from the stabilisation of future economic conditions, with business confidence set to grow at a CAGR of 1.5% to 2028⁵⁶, resulting in increased demand for corporate travel services.
- *Persistent inflation, interest rate volatility and cost of living pressures:* Volatile economic conditions are expected to limit future discretionary income in the short term due to persistent inflation and high interest rates placing further pressure on household disposable income. The significant increase in inflationary cost pressures and high interest rates have helped contribute to a decline in real wages, with the latest figures for the Wage Price Index (3.7%) and inflation (7.0%) in the March 2023 quarter suggesting wages fell 3.3% over the last 12 months⁵⁷. This is reflected by the currently low Westpac-

⁴³ IBISWorld Travel Agency and Tour Arrangement Services in Australia dated January 2023

⁴⁴ Sydney Morning Herald – The death of the travel agent: Will 2021 be the year it happens? (2021)

⁴⁵ Australian Trade and Investment Commission – Why Australia Benchmark Report 2023

⁴⁶ Australian Financial Review -Travel closures to hurt shopper behaviour, says Flight Centre (2022)

⁴⁷ Sydney Morning Herald - Travel agents look to add service fees as airlines slash commissions (2022)

⁴⁸ Tourism Businesses in Australia – June 2017 to June 2022 (2023)

⁸⁹ Sydney Morning Herald – “Kick in the guts”: Travel Agents upset at Qantas over slashed commissions (2022)

⁴⁹ Ibid

⁵⁰ IBISWorld Travel Agency and Tour Arrangement Services in Australia dated January 2023

⁵¹ Commonwealth Bank – Australian household spending intentions return to pre-covid levels for first time (2021)

⁵² IBISWorld Report - Travel agency and tour arrangement services dated January 2023

⁵³ Australian Trade and Investment Commission – Tourism Forecasts for Australia (2022)

⁵⁴ Refers to total spend in Australia by international visitors for short term visits (less than 12 months)

⁵⁵ Ibid

⁵⁶ IBISWorld – Business confidence index dated May 2023

⁵⁷ ABS – Wage Price Index, Australia dated March 2023

Melbourne Institute Consumer sentiment index⁵⁸ reading of 79.0 for May 2023, which is just above the levels observed in March 2020 during the initial outbreak of COVID-19, and highlights the pessimism felt by Australian consumers. Compared to December 2022, household spending in March 2023 has declined by 13.1%⁵⁹, which is likely a result of consumers adjusting their spending as cost-of-living pressures take more out of their income. The current pessimistic outlook suggests that future decreases in household spending are probable, with many likely believing that the RBA will continue to raise interest rates as inflation persists. The accumulated pandemic savings are expected to provide a temporary buffer against cost-of-living pressures, which will assist households with maintaining current spending levels. However, in 2024, it is expected that discretionary expenditure, including on travel, will be fully exposed to the adverse economic conditions after the pandemic savings have been exhausted⁶⁰.

- *Growing consumer preference for online services:* The growing preference for online travel agency services is set to intensify competition from travel aggregator websites (e.g., Expedia, Booking.com), as they facilitate price comparability for travel, accommodation and activities⁶¹. Additionally, the increased competition between the online platforms may encourage airlines, accommodation providers, insurance and activities providers to lower commissions further. Thus, there is a possibility that industry revenue and profit margins will be further adversely affected over the long term⁶².
- *Increased online competition will result in a greater focus on servicing isolated markets:* The increasing competition will result in travel agents and tour operators seeking markets that are less exposed to competitive pressures.⁶³ This includes agencies that cater to corporate clients and international travellers inbound from emerging economies. Travel agents that offer specialised management services to corporate clients often face less competition from low-cost operators, as these agents will appeal to customers on account of their expert product knowledge and customer service skills and knowledge of corporate customer policies and behaviours. Inbound tour operators that cater to international travellers also face reduced competition because their culture and language specialisation will appeal to tourists that typically face language barriers for their travel options, thus allowing these operators to effectively grow their customer base. For example, Select Travel Group, an ETG network member, largely includes agencies who converse and support their customers from the Asia Pacific region in their native language, including Cantonese, Mandarin, Vietnamese, Korean or another Asian language. It is expected that these trends will increase the number of operators within these niche markets, as travel agencies seek alternative ways to grow revenue and profitability⁶⁴.

3.5 Alternative markets: New Zealand

ETG derived approximately 15.0%⁶⁵ of its FY22 revenue from New Zealand, and NZ tourists made up the bulk of short-term visitors to Australia in 2022 (18.9%⁶⁶).

Much like the Australian market, the travel services market in New Zealand faced a slowdown during the COVID-19 pandemic, with industry revenue declining to 658.3 million⁶⁷ over the past 5 years. This is

⁵⁸ Melbourne Institute: Applied Economic & Social Research – Westpac-Melbourne Institute Consumer Sentiment dated May 2023

⁵⁹ ABS – Monthly Household Spending Indicator dated March 2023

⁶⁰ Australian Trade and Investment Commission – Tourism Forecasts for Australia (2022)

⁶¹ IBISWorld Report – Travel agency and tour arrangement services dated January 2023

⁶² Ibid

⁶³ Ibid

⁶⁴ IBISWorld Report – Travel agency and tour arrangement services dated January 2023

⁶⁵ ETG Financials

⁶⁶ Australian Bureau of Statistics – Overseas arrivals and departures dated March 2023

⁶⁷ IBISWorld NZ Report – Travel agency and tour arrangement services (January 2023)

largely due to the pandemic-related restrictions causing inbound and outbound tourism to rapidly decline, causing disruptions to demand and increasing revenue volatility within the industry. The tourism industry witnessed a recovery recently, mainly on account of tourists from Australia, which forms the largest group of international travellers inbound to New Zealand.

The New Zealand travel services market is similar to the Australian market in its characteristics, product segmentation, demand drivers and competitiveness. However, one notable difference is a higher penetration rate of the online market for domestic travel in New Zealand as compared to in Australia.

4 Profile of Helloworld Travel Limited

4.1 Overview

HLO is an integrated travel distribution company, comprising retail distribution travel networks, destination management services, air ticket consolidation, wholesale leisure businesses, online operations and freight and coach operations for international and domestic travel. HLO operates via several brands and is primarily concentrated in Australia and New Zealand, with operations in Fiji. In relation to retail, HLO operates Australia's largest network of franchised travel agents with over 2,064 independently owned and operated retail travel agencies and brokers. The Company competes for Australian and New Zealand travellers via customer service, value and customisation and earns revenue through commissions, freight, transaction and service fees, and marketing activities.

HLO has undergone notable changes in its corporate structure since its establishment. Most recently, the Company completed the sale of its Corporate and Entertainment business in March 2022, which offered travel management services to corporate and government customers through a range of brands including QBT, AOT Hotels, Show Group, Traveledge and APX in New Zealand.

4.2 Current Operations

HLO operates in three main segments namely retail, wholesale, and inbound destination management. In terms of revenue and Total Transaction Value ("TTV"), the retail segment is the largest contributor for the Company whilst the inbound destination management segment is the fastest growing following recent acquisitions. HLO also launched Helloworld Travel Academy in July 2022, which provides training and certifications to over 200 new retail agency consultants across Australia and New Zealand.

Retail Segment

The retail segment offers franchising management services and encompasses other travel related businesses (i.e., Air Tickets and helloworld.com.au). The segment earns revenue from franchise fees, and base and override commissions from airline and leisure partners depending on volumes of products sold through the networks of franchised retail agencies. HLO retail distribution operations include Helloworld Travel, Magellan Travel, Helloworld Business Travel, the My Travel Group, Willimint, NZ Travel Brokers and a 50.0% investment in Mobile Travel Agents. The breakdown of the network structures is discussed below:

- *Branded network* – Travel agencies who fully adopt the 'Helloworld' brand, and utilise the exclusive services offered under *Helloworld Travel*.
- *Associate model* – Travel agencies who carry the 'Member of Helloworld Travel' slogan, making use of select services whilst still maintaining their own branding.
- *Affiliate model* – Independent buying groups or agencies who have their own independent branding but leverage the buying benefits and supplier relationships of HLO.
- *Business or corporate travel* – Independently owned corporate travel agents and travel management companies making use of the *Helloworld Business Travel* brand ad services

Other operating businesses that are separate from the franchising brand includes:

- *Air tickets* – A 24/7 web-based ticketing consolidation portal that operates as a ticketing facility for travel agencies. With over 96.0%⁶⁸ of ticket issuance automated agents are focusing on customer service and complex itineraries, rather than cancellations and re-bookings which are now easily facilitated through the system.
- *Online platform* – Developed in 2013, the HLO website, 'helloworld.com.au', is an online platform that allows travellers to search for travel products that include flights, hotels, cruises and holiday packages or to find the closest Helloworld Travel agency or member agency.

Wholesale

The wholesale segment offers procurement of a wide range of cruise and land products for travel packaging and sale to any travel agency. The wholesale segment earns its revenues mostly in the form of base and override commissions from airline and leisure travel suppliers. HLO wholesale travel businesses in Australia include Viva Holidays, Ultimate Journeys, Ready Rooms, and in New Zealand, Go Holidays and Willimants Travel.

Inbound destination management

HLO has a portfolio of inbound destination management companies that provide tour services and tour operations both domestically and internationally. A merger in 2016 with AOT Group brought AOT inbound, AOT NZ, ATS Pacific, Experience Tours Australia under the Helloworld Travel brand. The destination management companies operate in Australia but service group markets in the UK, Europe, US, and Asia to promote inbound tours in Australia. Each company has its own travel booking platform that travel agents utilise for travel products. HLO also operates in Fiji through its business, Tourism Transport Fiji, that offers transfer services tour packages under the Great Sights and Feejee Experience brands. Furthermore, through an acquisition in 2018, HLO owns a controlling stake of Entertainment Logistix which specialises in freight travel in live entertainment, theatre, television and movie production.

⁶⁸ HLO, Annual Report 2022

4.3 Financial Performance

The table below illustrates the Company's restated and audited consolidated statements of comprehensive income for the last four financial years ended 30 June 2022 and the half year to 31 December 2022.

Consolidated statements of financial performance	FY19	FY20	FY21	FY22	1HFY23
A\$'000s	Restated	Audited	Restated	Audited	Audited
Revenue	351,977	278,002	39,659	63,534	71,295
Other income	5,585	4,185	17,839	5,736	1,880
Total revenue from continuing operations	357,562	282,187	57,498	69,270	73,175
Advertising and marketing expenses	(35,696)	(24,433)	(3,249)	(2,526)	(3,601)
Communication and technology expenses	(20,479)	(18,354)	(7,721)	(6,883)	(3,972)
Employee benefits expenses	(139,390)	(120,317)	(57,731)	(45,683)	(26,441)
Occupancy expenses	(4,248)	(4,343)	(2,257)	(2,147)	(956)
Operating expenses	(24,607)	(41,888)	(8,308)	(14,206)	(12,535)
Selling expenses	(50,543)	(39,264)	(1,839)	(8,383)	(13,780)
Impairment expense	-	(67,947)	(426)	-	-
Share of profit/(loss) of associates	1,437	1,246	(783)	(73)	820
Profit/(loss) on disposal of investments	2,013	1,075	(112)	-	-
Operating expenditure	(271,513)	(314,225)	(82,426)	(79,901)	(60,465)
EBITDA	86,049	(32,038)	(24,928)	(10,631)	12,710
<i>EBITDA margin</i>	24.1%	(11.4%)	(43.4%)	(15.3%)	17.4%
Depreciation and amortisation expense	(28,343)	(32,742)	(26,225)	(22,747)	(9,377)
EBIT	57,706	(64,780)	(51,153)	(33,378)	3,333
<i>EBIT margin</i>	16.1%	(23.0%)	(89.0%)	(48.2%)	4.6%
Finance expense	(3,354)	(4,099)	(3,575)	(2,721)	(380)
Profit/(loss) before tax	54,352	(68,879)	(54,728)	(36,099)	2,953
Income tax benefit/(expense)	(16,309)	(1,106)	15,176	7,314	(1,353)
Profit/(loss) after tax	38,043	(69,985)	(39,552)	(28,785)	1,600
Profit after tax from discontinued operations	-	-	3,667	118,631	-
Profit/(loss) for the period	38,043	(69,985)	(35,885)	89,846	1,600

Sources: Helloworld Annual Reports and Half Yearly Report.

In relation to the table above, we note the following:

- The Company generated A\$73.2 million in total revenue in 1HFY23, a A\$44.0 million or c. 150.8% increase prior comparative period ("pcp"), underpinned by TTV from continuing operations increasing by c. 209.4% to A\$1,208.0 million over the same period. This reflects the return of demand towards pre-COVID levels as domestic and international restrictions have been removed and transport infrastructure has been returned to service.
- Underlying EBITDA and reported EBITDA from continuing operations was A\$15.6 million⁶⁹ and A\$12.7 million in 1HFY23 respectively, compared to losses of c. A\$7.7 million respectively in the pcp. Improvement in earnings is a direct result of increasing revenues, and HLO's focus on cost-control during a period of business recovery together with the benefits of further investment in technology. Net profit after income tax from continuing operations was A\$1.6 million in 1HFY23, compared to a A\$15.2 million loss in the pcp, benefiting from a A\$2.4 million reduction in depreciation and

amortisation expense given a reduction in right of use assets and full amortisation of certain intangibles assets.

- Total revenue of A\$69.3 million was recorded in FY22, up from A\$57.5 million in FY21, reflecting an improvement of c. 20.5%. Full year TTV from continuing operations was A\$1,077.0 million in FY22, up 140.0% on FY21, driven by the opening of international and state borders, increased vaccination rates and growing desire to travel following lockdowns over the period.
- The Company recorded EBITDA loss from continuing operations of A\$10.6 million in FY22, a significant improvement from the A\$24.5 million loss in FY21, with Q4 FY22 delivering the first return to profitability since the COVID-19 pandemic. The loss after income tax for FY22 from continuing operations was A\$28.8 million, a c. 27.2% reduction on FY21. Notwithstanding this, profit attributable to the owners of HLO was A\$90.5 million for FY22, compared to a loss of A\$35.5 million in FY21, primarily due to the A\$117.5 million gain on disposal related to the sale of HLO's Corporate and Entertainment Travel Business to Corporate Travel Management Limited on 31 March 2022. We note that HLO restated its 2021 financials to enable a comparison with the FY22 financials.
- We note that FY19 financials have been restated to reflect the AASB 16 standards.

In addition, HLO generated FY23 Year to Date ("YTD") revenue of A\$120.1 million, up 186.0.0% pcp, which reflected the growth in the travel industry post COVID-19 pandemic. With the Omicron outbreak impacting Q3 FY22 period results, Q3 FY23 as expected, improved with a TTV of A\$596.2 million, up 149.7% pcp. As a result, TTV for FY23 YTD increased by 186.7% pcp, to A\$1,804.0 million. With the increasing demand for international and domestic travel resulting in longer trips and lead times, HLO upgraded its underlying EBITDA guidance twice for FY23, initially from A\$22.0 million – A\$26.0 million to A\$38.0 million – A\$42.0 million. This was reflected in an underlying EBITDA of A\$29.8 million in FY23 YTD, compared to an EBITDA loss of A\$12.3 million pcp.

4.4 Financial Position

The table below illustrates the Company's restated and audited consolidated statements of financial position as at 30 June 2019, 30 June 2020, 30 June 2021, 30 June 2022 and 31 December 2022.

Consolidated statements of financial position A\$'000s	30-Jun-19 Restated	30-Jun-20 Audited	30-Jun-21 Audited	30-Jun-22 Audited	31-Dec-22 Audited
Assets					
Cash and cash equivalents	204,755	131,861	131,024	122,524	75,836
Cash deposits	-	-	-	-	8,000
Trade and other receivables	97,141	39,991	27,108	46,331	52,528
Accrued revenue	66,681	34,482	18,333	11,461	27,860
Inventories	471	540	522	499	592
Derivative financial instruments	368	-	-	-	-
Income tax receivable	-	-	-	-	146
Total current assets	369,416	206,874	176,987	180,815	164,962
Trade and other receivables	5,939	4,692	5,774	2,799	287
Investments in associates	17,190	17,436	16,699	15,292	16,112
Other investments	-	-	-	67,474	53,940
Property, plant and equipment	17,608	14,697	12,735	8,606	8,706
Right of use assets	24,529	24,538	25,042	18,360	20,172
Intangible assets	338,446	300,747	290,834	233,616	228,569
Deferred tax assets	816	-	-	-	-
Total non-current assets	404,528	362,110	351,084	346,147	327,786
Total assets	773,944	568,984	528,071	526,962	492,748
Liabilities					
Trade and other payables	210,944	93,967	108,551	133,125	129,146
Lease liabilities	8,509	9,145	8,028	4,551	4,929
Provisions	15,622	20,914	22,156	14,946	11,222
Deferred revenue	96,939	53,802	19,852	8,208	5,295
Income tax payable	478	5,748	-	83	168
Total current liabilities	332,492	183,576	158,587	160,913	150,760
Borrowings	56,428	100,519	80,711	-	-
Lease liabilities	19,986	20,614	22,962	16,525	17,389
Deferred tax liabilities	44,664	40,512	33,080	42,434	39,711
Provisions	3,004	5,639	1,572	1,156	1,250
Other non-current liabilities	5,151	1,445	669	669	626
Total non-current liabilities	129,233	168,729	138,994	60,784	58,976
Total liabilities	461,725	352,305	297,581	221,697	209,736
Net assets	312,219	216,679	230,490	305,265	283,012

Sources: *Helloworld Annual Reports and Half Yearly Report.*

We note the following regarding the Company's financial position:

- The Company held a total cash balance of A\$83.8 million as at 31 December 2022, c. \$38.7 million lower than the cash balance held as at 30 June 2022 (A\$122.5 million). The reduction in cash largely

reflects the timing in supplier payments and customer receipts, payment of a dividend and capital investments. A dividend payment of A\$15.5 million was paid to shareholders on 23 September 2022.

- Intangible assets consist of goodwill accumulated from legacy transactions (in particular the Stella and Jetset Travelworld merger in 2010), retail distribution systems, customer bases and technology assets. We note the carrying value of intangible assets has reduced by c. A\$100.0 million since FY19.
- During FY22, the Company repaid A\$81.0 million of external borrowing out of the proceeds received from the sale of the Corporate and Entertainment business in April 2022. Accordingly, HLO has external borrowing of A\$nil as at 30 June 2022 and 31 December 2022.

4.5 Cash Flow Statement

The table below illustrates the Company's consolidated cash flow statements for the last four financial years and the half year to 31 December 2022.

Consolidated statements of cash flow A\$'000s	FY19 Restated	FY20 Audited	FY21 Restated	FY22 Audited	1HFY23 Audited
Cash flows from operating activities					
Receipts from customers	3,387,635	2,711,242	252,105	509,229	609,427
Payments to suppliers and employees	(3,321,035)	(2,749,226)	(267,828)	(509,045)	(629,147)
Interest received	3,442	2,313	635	402	1,005
Finance costs paid	(3,177)	(4,007)	(3,382)	(2,721)	(380)
Income taxes refund received	(17,633)	(1,761)	-	7,658	39
Net cash inflow/(outflow) from operating activities	49,232	(41,439)	(18,470)	5,523	(19,056)
Net cash inflow/(outflow) from operating activities discontinued	-	-	4,931	3,897	-
Net cash from/(used in) operating activities	49,232	(41,439)	(13,539)	9,420	(19,056)
Cash flows from investing activities					
Transfers into cash deposits	-	-	-	-	(2,000)
Payments for intangibles	(19,334)	(16,596)	(5,834)	(3,522)	(684)
Payments for property, plant and equipment	(7,798)	(2,878)	(2,834)	(344)	(1,734)
Payments for acquisitions of businesses, net of cash acquired	(6,063)	-	-	-	-
Payments for acquisitions of controlled entities, net of cash acquired	-	(21,751)	175	-	-
Payments for disposal of controlled entities, net of cash disposed	-	(1,215)	(2,122)	-	-
Net cash acquired from acquisition of controlled entities	614	-	-	-	-
Proceeds from adjustment for acquired controlled entities	210	-	-	-	-
Proceeds from disposal of controlled entities, net of cash disposed	457	-	-	-	-
Proceeds from disposal of property, plant and equipment	28	101	13	133	41
Proceeds from sale of Corporate business, net of costs	195	-	-	98,977	-
Dividends received from equity instruments	1,876	68	-	-	95
Net cash inflow/(outflow) from investing activities	(29,815)	(42,271)	(10,602)	95,244	(4,282)
Net cash inflow/(outflow) from investing activities discontinued	-	-	(504)	(214)	-
Net cash from/(used in) investing activities	(29,815)	(42,271)	(11,106)	95,030	(4,282)
Cash flow from financing activities					
Proceeds from borrowings	15,000	44,000	-	-	-
Proceeds from loan funded LTIP repayments	-	2,301	-	-	-
Proceeds from share issue, net of costs	-	-	48,733	-	-
Loans provided to related parties for equity accounted investments	(2,450)	(245)	-	-	-
Loans repaid from related parties for equity accounted investments	263	104	-	-	-
Dividends paid to company shareholders	(23,189)	(26,355)	-	-	(15,405)
Payment for shares acquired by employee share trust	-	(671)	-	-	-
Principal elements of lease payments	(9,240)	(7,769)	(6,156)	(5,562)	(2,042)
Repayments of borrowings	-	-	(20,000)	(81,000)	-
Net cash inflow/(outflow) from financing activities	(19,616)	11,365	22,577	(86,562)	(17,447)
Net cash inflow/(outflow) from financing activities discontinued	-	-	(840)	(669)	-
Net cash from/(used in) financing activities	(19,616)	11,365	21,737	(87,231)	(17,447)
Net increase/(decrease) in cash and cash equivalents	(199)	(72,345)	(2,908)	17,219	(40,785)
Cash and cash equivalents at the beginning of the financial year	203,528	204,755	131,861	131,024	116,524
Cash and cash equivalents divested	-	-	-	(25,793)	-
Effects of exchange rate changes on cash and cash equivalents	1,426	(549)	2,071	74	97
Cash and cash equivalents at year end	204,755	131,861	131,024	122,524	75,836

Sources: Helloworld Annual Reports and Half Yearly Report.

We note the following regarding the Company's cash flows:

- **Operating cash flows:** Net cash outflow of A\$19.1 million from operating activities in 1HFY23 reflects the timing of supplier payments and customer receipts.
- **Investing cash flows:** The large net cash inflow of A\$95.0 million from investing activities in FY22 was offset by the inflow of A\$99.0 million, net of costs, related to the proceeds from the sale of HLO's Corporate and Entertainment Travel Business in April 2022.
- **Financing cash flows:** The Company repaid A\$30.0 million of debt during the COVID-19 pandemic from surplus cash after completing an equity raising of A\$50.0 million in August 2020. Following the sale of the Corporate and Entertainment Travel Business in April 2022, the Company repaid the remaining A\$70.0 million of external bank debt to record a A\$nil external debt balance as at 30 June 2022.
- **Dividend and Dividend Yield:** HLO maintained growing dividend payments between FY16 and FY19, however elected to not issue dividends for FY21 given the impact of COVID-19. The following table sets out HLO's dividend per share (A\$/share) since FY19. We note that these are fully franked dividends.

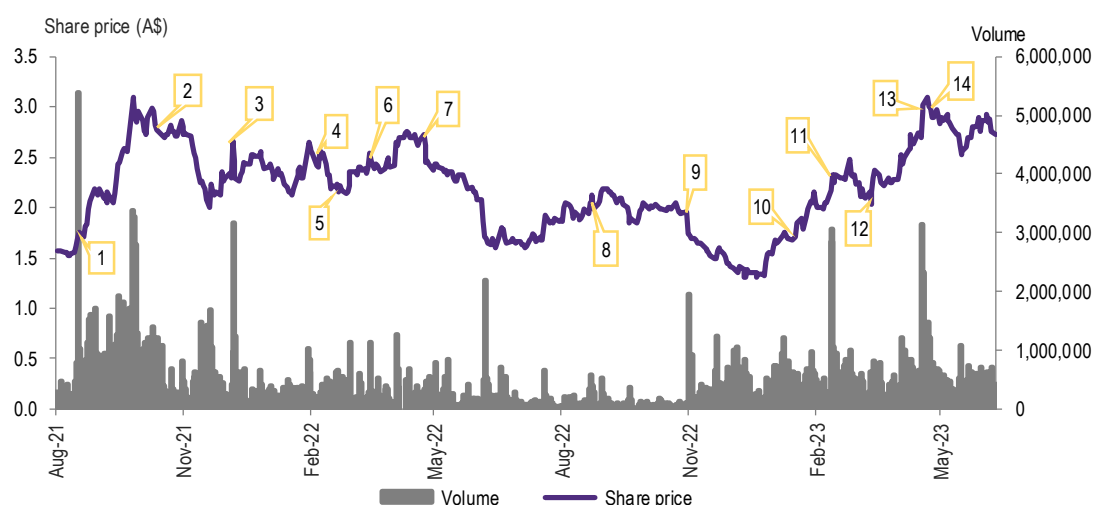
Dividend policy	FY19	FY20	FY21	FY22	1HFY23
Dividend on ordinary shares (\$/Share)	0.205	0.090	na	0.100	0.020

Sources: Helloworld Annual Reports and Half Yearly Report.

4.6 Capital Structure and share price movements

As at the date of this report, HLO's capital structure comprises 155,027,845 ordinary equity shares. Our analysis of the daily movements in HLO's share price and volumes since July 2021 is set out below.

HLO – Historical share trading price and volumes



Sources: S&P Global and GTCF Analysis.

The following table illustrates the key events between 1 July 2021 and 19 June 2023, which may have impacted the share price and volume movements shown above.

Event	Date	Comment
1	31-Aug-21	HLO announced its results for the twelve months ended 30 June 2021 (FY21), reporting: <ul style="list-style-type: none"> - Q4FY21 recorded c. A\$386.8 million in TTV, highest among FY21 with a 25.0% increase from the previous three quarters. - TTV of A\$1,081.0 million in FY21, down 68.1% below FY20 results, in addition to COVID-19 border closures and continuing travel restrictions throughout FY21. - Full year statutory loss after tax of A\$35.9 million, up 45.0% vs pcp - Cash balance of A\$131.0 million as at 30 June 2021 (A\$131.9 million as at 30 June 2020), benefited from the completion of a A\$50.0 million (A\$48.7 million net of costs) equity raise.
2	22-Oct-21	HLO announced its quarterly activities for the quarter ending 30 September 2021 (Q1 FY22), reporting: <ul style="list-style-type: none"> - Quarterly revenue of A\$20.3 million, up 63.0% vs pcp. - A TTV of A\$266.5 million, which was c. 31.1% lower than the previous quarter of c. A\$386.8 million during which border closures in NSW, VIC and WA were enforced. - EBITDA loss of A\$3.6 million in the quarter, compared to an EBITDA loss of A\$6.3 million in pcp.
3	15-Dec-21	HLO announced it has entered into a binding agreement to divest its corporate and entertainment travel businesses in Australia and New Zealand to Corporate Travel Management Limited (ASX:CTD) for an enterprise value of c. A\$175.0 million, comprising of A\$100.0 million of cash and A\$75.0 million in scrip.
4	21-Feb-22	HLO announced its half year results for the period ending 31 December 2021 (1H FY22), reporting: <ul style="list-style-type: none"> - Half yearly revenue of A\$40.3 million with A\$694.3 million in TTV, up 45.0% and 60.0%, vs pcp, respectively. - Half yearly EBITDA loss of A\$5.2 million, down 10.8% vs pcp. - Half yearly net loss after tax of A\$14.0 million, compared to a loss of A\$15.1 million in pcp.
5	03-Mar-22	HLO announced that the Australian Competition and Consumer Commission will not oppose the proposed acquisition of Helloworld Travel Limited corporate and entertainment business in Australia and New Zealand by Corporate Travel Management Limited (ASX:CTD).
6	25-Mar-22	HLO announced its CFO David Hall resigned and will leave the business at the end of March 2022. In addition, on 1 April 2022, HLO announced it had completed the sale of its corporate and entertainment business in Australia and New Zealand to Corporate Travel Management Limited (ASX:CTD) for total consideration of A\$100.0 million in cash and 3,571,429 shares, reflecting an implied total enterprise value of A\$175.0 million.
7	02-May-22	HLO announced its quarterly activities for the quarter ending 31 March 2022 (Q3 FY22), reporting: <ul style="list-style-type: none"> - Quarterly revenue of A\$22.8 million, up 52.0% vs pcp. - Quarterly TTV of A\$419.0 million, up 60.0% vs pcp, despite impacts from the Omicron outbreak. - EBITDA loss of A\$1.9 million in the quarter, compared to EBITDA loss of A\$4.0 million in Q3 FY21, underpinned by loss of A\$1.5 million in January 2022. HLO announced its CFO David Hall resigned and will leave the business at the end of March 2022.
8	30-Aug-22	HLO announced its results for the twelve months ended 30 June 2022 (FY22), reporting: <ul style="list-style-type: none"> - Full year revenue of A\$69.3 million with TTV from continuing operations of A\$1,077.0 million, up 20.5% and 140.0%, vs pcp, respectively. - Full year EBITDA loss from continuing operations of A\$10.6 million, compared to an EBITDA loss of A\$24.5 million in pcp. - Full year statutory profit after tax of A\$90.5 million, compared to the loss of A\$35.5 million in FY21. - Declaration of a full-franked dividend of A\$0.10 per share, to be paid on 23 September 2022.
9	08-Nov-22	HLO announced that Qantas had sold its shareholding in the Company via a fully underwritten book build with institutional shareholders. Qantas held a 12.4% interest in Helloworld as at 30 June 2022, via its subsidiary QH Tours Limited. On 11 October 2022, HLO released its Q1FY23 update, recording a member network of 2,051, down from 2,184 vs pcp.
10	20-Jan-23	HLO announces its appointment of Leanne Coddington as a Non-Executive Director.
11	20-Feb-23	HLO announced its half year results for the period ending 31 December 2022 (1H FY23), reporting: <ul style="list-style-type: none"> - Half yearly revenue of A\$73.2 million with A\$1.2 billion in TTV for continuing operations, up 151.0% and 209.0% vs pcp, respectively. - Half yearly underlying EBITDA of A\$15.6 million vs EBITDA loss of A\$7.7 million in pcp - Half yearly statutory profit after tax of A\$1.6 million from continuing operations, compared to a loss of A\$15.2 million in pcp.
12	21-Mar-23	HLO announced it had agreed to acquire a 34% stake in Australiareiser Group, a B2C travel business based in Scandinavia, funded via HLO's existing cash reserves.
13	27-Apr-23	HLO announced its quarterly activities for the quarter ending 31 March 2023 (Q3 FY23), reporting: <ul style="list-style-type: none"> - Quarterly revenue and TTV, up 240.0% and 150.0% vs pcp, respectively. - Underlying EBITDA of A\$14.2 million compared to an underlying EBITDA loss of A\$4.9 million vs pcp. - Upgrade in underlying EBITDA guidance for FY23 from between A\$28.0 - A\$32.0 million to A\$38.0 - A\$42.0 million
14	2-May-23	HLO announced it had agreed to acquire a 40.0% stake in Phil Hoffman Travel (PHT), an Adelaide based retail travel agency business, funded via HLO's existing cash reserves.

Source: ASX announcements; GTCF research.

In the previous year, HLO shares were fairly illiquid with only 5.3% volume traded, which reflected the events following the COVID-19 pandemic. Further discussion on the liquidity of HLO is discussed in section 8.2.1.

The monthly share price performance of HLO up to 19 June 2023 and the weekly share price performance of HLO over the last 16 weeks is summarised below.

Helloworld Travel Limited	Share Price			Average weekly volume '000'
	High \$	Low \$	Close \$	
Month ended				
May 2022	2.780	2.240	2.280	1,584
Jun 2022	2.300	1.590	1.690	1,766
Jul 2022	1.930	1.600	1.925	743
Aug 2022	2.110	1.800	2.060	659
Sep 2022	2.225	1.830	1.885	757
Oct 2022	2.070	1.850	2.040	396
Nov 2022	2.040	1.455	1.565	2,014
Dec 2022	1.620	1.300	1.340	2,252
Jan 2023	1.910	1.310	1.790	2,646
Feb 2023	2.370	1.800	2.300	4,022
Mar 2023	2.490	2.020	2.220	2,443
Apr 2023	3.080	2.210	3.020	3,793
May 2023	3.170	2.510	2.700	3,009
Week ended				
3 Mar 2023	2.400	2.230	2.350	2,776
10 Mar 2023	2.490	2.220	2.240	2,902
17 Mar 2023	2.270	2.060	2.090	1,942
24 Mar 2023	2.375	2.020	2.370	2,803
31 Mar 2023	2.440	2.220	2.220	1,823
7 Apr 2023	2.330	2.210	2.280	1,789
14 Apr 2023	2.580	2.310	2.500	3,220
21 Apr 2023	2.730	2.490	2.640	3,553
28 Apr 2023	3.080	2.590	3.020	6,610
5 May 2023	3.170	2.830	2.890	4,845
12 May 2023	3.020	2.790	2.870	2,755
19 May 2023	2.930	2.760	2.780	1,803
26 May 2023	2.780	2.510	2.560	2,562
2 Jun 2023	2.800	2.560	2.800	2,690
9 Jun 2023	2.920	2.750	2.860	2,593
16 Jun 2023	2.930	2.760	2.760	1,822

Source: S&P Global.

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4.6.1 Top shareholders

We have set out below the top five relevant shareholders of HLO as at 31 December 2022.

Top 5 ordinary shareholders		
	No. of shares	Interest (%)
1 Sintack Pty Ltd	20,634,206	13.3%
2 Burnes Group Pty Ltd	20,358,287	13.1%
3 Fidelity International Ltd	14,475,534	9.3%
4 Mr Andrew Burnes (CEO and Managing Director)	10,234,082	6.6%
5 Ms Cinzia Burnes (Executive Director)	9,876,565	6.4%
Top 5 shareholders	75,578,674	48.8%
Remaining shareholders	79,449,171	51.2%
Total ordinary shares outstanding	155,027,845	100.0%

Source: S&P Global, Helloworld 1HFY23 Financial Report.

5 Profile of Express Travel Group

5.1 Overview

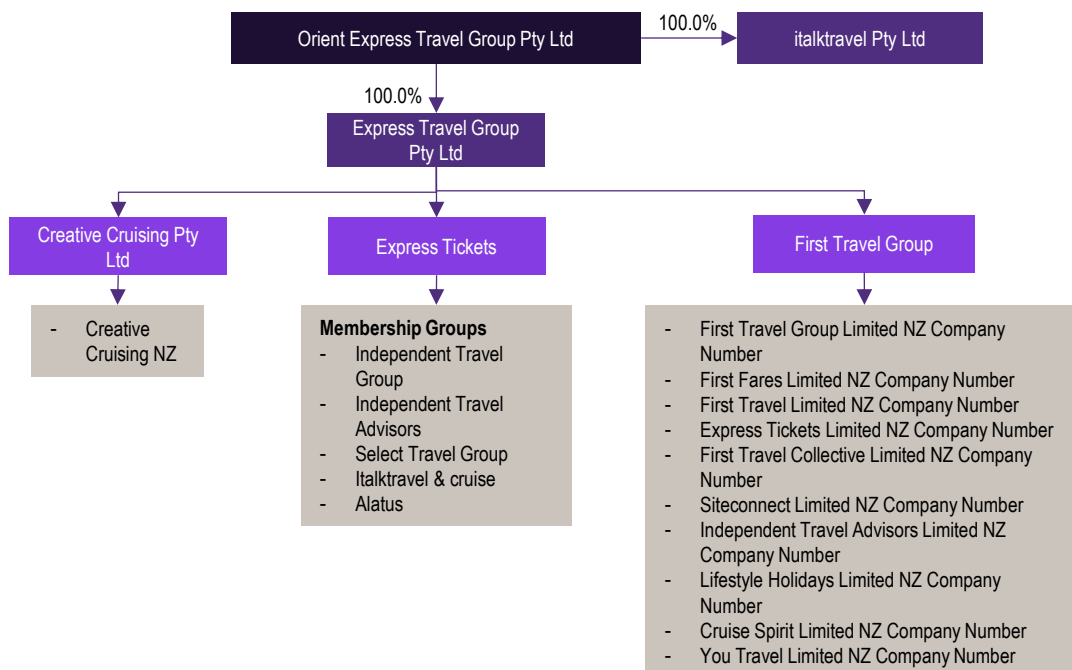
ETG which operates under the parent entity, Orient Express Travel Group Pty Ltd (“OETG”), provides consolidation services to a network of travel agencies, tour operators and wholesalers. Over the last 35 years, ETG has acquired and formed a network of travel agencies and established relationships with global airlines to develop a reputable market presence within the Australian travel industry. In 1988, the membership network Select Travel Agent was formed. ETG has grown to include membership groups Independent Travel Group, Select Travel Group, italktravel and cruise and Independent Travel Advisors, with Creative Cruising and FTG under the ETG entity.

ETG has developed and implemented an operation service known as Express Tickets, a service platform, utilised by membership groups for travel products. ETG’s agencies are accredited with the International Air Transport Association, Australian Federation of Travel Agents, and the Australian Travel Accreditation Scheme to ensure quality and professionalism is maintained within the industry.

The network of agencies that operate under ETG are split into two membership groups, independent agents and member agents. ETG’s network includes the largest group of fully independent travel agencies in Australia. Independent agents are not under any contractual agreements but use the ETG ticketing services. Member agents receive commission on certain transactions and have full utilisation of ETG’s services, including marketing assets, fare and agency support staff, exclusive promotions and training on products and systems. Today, there are 836 agents around Australia and New Zealand, which consists of c. 400 member agents. ETG is headquartered in Melbourne with representation in Sydney, Brisbane, Adelaide and Perth.

The following outlines the company structure of ETG:

ETG Group structure

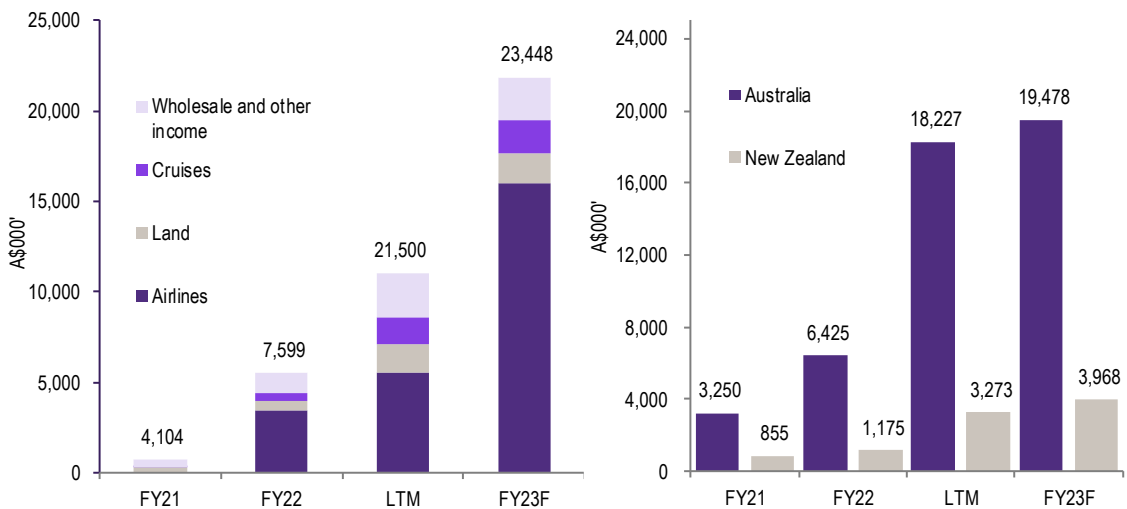


Sources: ETG website and Financial due diligence report.

5.2 Current Operations

ETG operates in two segments, retail (composed of airline, land, and cruises) and wholesale, in addition to an in-house ticketing platform which network agencies can use. The following charts outline the net revenue split between each segment and the net revenue generated in each country from FY21 to forecasted FY23.

Net revenue split per business segment and net revenue per country



Sources: Management accounts, Financial due diligence report and GTCF analysis.

Among the four segments illustrated in the graph above, airline commissions and overrides have consistently been the largest contributor to net revenue since FY21. With a forecasted FY23 revenue of A\$17.6 million, up 220.1% pcp, airline represents 75.3% of net revenue in FY23. This is reflected as the travel industry continues to recover from the events following COVID-19 and increase in demand for travel. The Australian region has consistently contributed more to net revenue than the New Zealand region, with Australia accounting for 79.2% of net revenue in FY21 and estimated to account for 83.1% of net revenue in FY23.

5.2.1 Retail Segment

The retail aspect of ETG's operations involve outbound travel management services for airline tickets, land and cruise packages, and insurance for Australian and New Zealand travellers. The three of the four segments mentioned above, airline, land and cruises, all fall within the retail segment. ETG's retail segment includes Select Travel Group ("STG"), Independent Travel Group ("ITG"), italktravel & cruise ("italktravel"), Independent Travel Advisors ("ITA"), Express Corporate and FTG.

ETG generates revenue in three forms, front end commissions, overrides, and service fees. Front end commissions are the difference between the amount receivable from the agent and the amount payable to the airlines or other service providers. The various front-end commissions applicable to the various services, packages, seasons and promotions are catalogued and recognised via the information system ticketing platforms, Aeronology and QuickTickets. Following COVID-19, typical front-end commissions are now at or around 1.0% of the relevant charge to the travelling customer which is reduced from the pre-COVID-19 rates of front-end commissions. Overrides are commissions earned from airlines and other suppliers that are incentive payments for travel agents when they meet certain quotas or overall sale levels

for specific routes. Airline overrides may include metrics such as seasonal tickets, route type, cabin class or overall volume of sales for a specific period. These commissions are typically placed between 1.0% to 4.0% and depend on the airline or supplier. Lastly, services fees are charges based on issued tickets (airline, cruise or land suppliers) that the agent pays to ETG for services provided via the network and platforms. The revenue is recognised when the tickets are issued and is typically between A\$10.0 to A\$25.0 per ticket.

A brief summary of the retail segment at ETG is as follows:

- *STG* – is one of the leading buying groups in Australia and the largest across the national market mostly contained in the Chinatown enclaves of major urban centres around the country, comprising of over 360 agencies nationally. STG differentiates itself by its cultural diversity, with travel agents able to converse and assist customers in their native language, particularly Cantonese, Mandarin, Vietnamese, Korean and other Asia-region languages.
- *ITG* – launched in 2006, ITG has a portfolio of over 380 members, who are independent travel businesses. These businesses retain their own branding and identity and use ITG services in addition to the option to choose services provided by ETG to support and grow their own business and provide tailored travel booking for their client's needs.
- *Italktravel* – an independent branded franchise network of travel agents, established in Australia, that assists customers with a full service offering from flights to accommodation, tours, documentation and visas. With over 30 stores operating in Australia, italktravel agents are able to use the services and benefits that ETG provides.
- *ITA* – a network of professional travel advisors, either mobile or home based in local areas, that specialise in curating a tailored experience for its clients. ITA offers travel experiences that include full services globally and supported by the national ETG network.
- *Express Corporate* – part of ETG, Express Corporate enables network members to include a corporate solution to their operations.
- *FTG* – a New Zealand based travel retailer with over 50 independent travel specialists providing customised experiences with full services to its clients for retail and corporate travel. FTG leveraged off their in-house technology systems to launch First Information Network in 2012, which is an extranet that provides members with access to preferred supplier agreements, remuneration rates, exclusive deals, and dashboards summarising supplier targets. FTG also launched FareFinder in 2011, which is an online based airfare finder, which enables travel agents to provide customers with up-to-date travel prices⁷⁰. FTG partnerships include major airlines such as Air New Zealand, Qantas, Emirates, Singapore Airlines, as well as global companies that operate with travel related products such as Expedia, Allianz Partners, Avid Budget Group and Contiki.

Members of FTG leverage ETG's Express Ticket platform. FTG additionally has partnerships with YOU travel, which is a travel retailer providing a customised travel experience for its clients. Operating only in New Zealand, YOU travel has over 30 stores and has recorded over 90.0% of business attributed to repeat business and referrals⁷¹. FTG also partners with Lifestyle Holidays, a wholesaler which has established relationships with other global wholesalers such as TourEast (Qantas Holidays)

⁷⁰ First Travel Group, 2020

⁷¹ You Travel, 2019

and Hotelbeds. Lifestyle Holidays implemented its in-house online agent booking tool in 2008, which enables FTG members access to exclusive deals and competitively priced travel products in the market. With access to over 60,000 hotels and products globally, Lifestyle Holidays sources direct contract rates locally and provides support and services to ETG.

5.2.2 Wholesale segment

ETG's wholesale segment offers cruise products to its retail agency networks via Creative Cruising. The revenue earned from the Creative Cruising business is comprised of margins on payments for cruises sold to travellers via network agencies, as well as override commissions.

Creative Cruising is an Australian wholesaler that focuses on cruise holidays around the world. With call centres in Sydney and New Zealand, Creative Cruising partners with cruise, airline, and tour operators, together with land suppliers and leverages those relationships through its booking platform technology to provide support and value to its network of national retail agents. Creative Cruising is also accredited with the Cruise Lines International Association, to provide responsible tourism practises. In addition, Creative Cruising has a paid membership program, Cruise Spirit, which provides additional benefits, deals and exclusive access to products and rewards for its travel agents.

5.2.3 Express Tickets

Express Tickets provides travel agencies, tour operators and OTA's with an efficient and easy-to-use airfare and airline ticketing technology platform. The platform covers all functions involved in the customer journey from booking and purchasing airline tickets to reissues, refunds, and revalidation. Agencies, who are wholesalers and tour operators, can efficiently manage client bookings and establish a supplier partnership with airlines such as Qantas, Singapore Airlines, Emirates and more.

5.3 Financial Performance

The table below illustrates ETG's consolidated statements of comprehensive income for the last two financial years ended 30 June 2022 and the last 12 months to 31 March 2023 ("LTM").

Consolidated statements of financial performance			
	FY21	FY22	LTM
A\$'000s	Audited	Audited	Management
Revenue from contracts with customers	4,118	7,182	20,336
Other Revenue	2,503	1,315	1,774
Net Revenue	6,621	8,497	22,110
Employee expenses	(5,933)	(5,654)	(8,421)
Occupancy expenses	(149)	(471)	(803)
IT expenses	(763)	(653)	(779)
Marketing	(12)	(251)	(575)
Professional fees	(378)	(380)	(515)
Internal Management fees			
General & admin	(239)	(241)	(330)
Travel and entertainment	(68)	(60)	(233)
Operating expenditure	(7,542)	(7,710)	(11,656)
EBITDA	(921)	787	10,454
<i>EBITDA margin</i>	<i>(13.9%)</i>	<i>9.3%</i>	<i>47.3%</i>
Depreciation	(923)	(493)	(458)
EBIT	(1,844)	294	9,996
<i>EBIT Margin</i>	<i>(27.9%)</i>	<i>3.5%</i>	<i>45.2%</i>
Net interest (expense) / revenue	(190)	(34)	258
Other income	107	166	108
Net profit before tax	(1,927)	426	10,362
Tax Expense	148	(14)	(1,728)
Net profit / (loss)	(1,779)	412	8,634
<i>Net profit margin</i>	<i>(26.9%)</i>	<i>4.8%</i>	<i>39.1%</i>

Sources: ETG consolidated financials and Financial due diligence report.

In relation to the above, we note the following:

- The revenue from contracts with customers consists of airline and other commissions, cruises operations and wholesale ticketing. In the LTM, demand has increased significantly, with net revenue of A\$22.1 million, attributable to the Australian business and the New Zealand business in the proportions 85.0% and 15.0% respectively.
- Adjustments to certain components making up the historical EBITDA of ETG have been identified during the due diligence inquiries that Helloworld has made. These adjustments are to bring to common basis the accounting treatments over time, and to reflect the maintainable operations of the business. We have set out below a reconciliation of the reported cash EBITDA and the adjusted IFRS EBITDA for FY21 up to the LTM. As reported, the key adjustments pertain partially to the COVID-19 impact which include the Jobkeeper and cashflow boost received from the Australian government and the rent incentives owing to a reduction in rent negotiated across the Sydney and Melbourne offices.

EBITDA Reconciliation from cash to IFRS			
A'000s	FY21	FY22	LTM
Reported Cash EBITDA	(921)	787	10,454
Jobkeeper and cashflow boost	(2,277)	(678)	(136)
Redundancies	305	-	-
Rent incentives	(189)	(171)	(9)
Payroll tax relief	(79)	(39)	(9)
CTG-ticketing technology	(240)	(240)	(240)
Fly 365 administration	-	(234)	(234)
Commission accrual	-	255	-
Rent (AASB 16)	(586)	(250)	(250)
Margin financial services	-	-	15
Adjusted IFRS EBITDA	(3,987)	(570)	9,591

Sources: ETG consolidated financials and Financial due diligence report.

- Reported net profit grew to A\$8.6 million in the LTM driven by the increased volumes in airline travel, compared to the net loss of c. A\$1.8 million reported in FY21. TTV has grown to a monthly average of c. A\$55.0 million in the LTM, with TTV in each of February 2023 and March 2023 surpassing A\$70.0 million. This reflects the strong demand in travel and higher ticketing prices because of the lower availability of flights. ETG also recorded a total of 631 agents in FY22, with an additional 75 joining during the nine months to March 2023.

5.4 Financial Position

The table below illustrates ETG's consolidated statements of financial position as at 30 June 2021, 30 June 2022 and 31 March 2023.

Consolidated statements of financial position	30-Jun-21	30-Jun-22	31-Mar-23
A\$'000s	Audited	Audited	Management
Assets			
Cash and cash equivalents	8,125	18,978	26,626
Bond and deposits	(80)	(195)	(205)
Prepayments	260	346	516
Trade and other receivables	(322)	10,821	16,649
Accrued revenue	76	2,342	5,374
Total current assets	8,059	32,292	48,960
Property, plant and equipment	511	395	345
Intangible assets	18,502	18,320	18,596
Deferred tax assets	39	81	83
Right of use assets	487	166	166
Total non-current assets	19,539	18,962	19,190
Total assets	27,598	51,254	68,150
Liabilities			
Trade and other payables	2,955	25,571	32,826
Lease Liabilities	788	689	689
Interentity loan	10	92	136
GST Payable	53	42	154
Deferred Revenue	487	866	2,851
Provisions for income tax	12	72	1,634
Other liabilities	1,380	2,257	3,140
Total current liabilities	5,685	29,589	41,430
Loans	4,025	3,823	3,410
Related party loan	2,940	2,947	2,947
Provisions	541	637	607
Other non-current liabilities	33	26	21
Total non-current liabilities	7,539	7,433	6,985
Total liabilities	13,224	37,022	48,415
Net assets	14,374	14,321	19,735

Sources: ETG consolidated financials and Financial due diligence report.

- The Target Net Debt is A\$nil, so the borrowing and cash on the above balance sheet are expected to be eliminated before completion.
- Billing and Settlement Plan ("BSP")⁷² assets and liabilities include client money or trapped cash by the corresponding amount of liabilities to travel service providers not yet paid. Adjusted net cash of ETG at 31 March 2023 was A\$13.5 million made up of cash and debt like items. However, this includes client money towards airline ticket sales amounting to A\$14.1 million that are yet to be settled and are treated as cash rather than debt-like items.

⁷² BSP is a system designed to facilitate and simplify the selling, reporting and remitting procedures of IATA Accredited Passenger Sales Agents, as well as improve financial control and cash flow for BSP Airlines.

6 Valuation methodologies

6.1 Introduction

As discussed in section 2, our fairness assessment involves comparing the Purchase Price with the fair market value of ETG on a control basis.

Grant Thornton Corporate Finance has assessed the value of ETG using the concept of fair market value. Fair market value is commonly defined as:

“the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm’s length.”

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

6.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Discounted cash flow and the estimated realisable value of any surplus assets (“DCF Method”).
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets (“FME Method”).
- Amount available for distribution to security holders in an orderly realisation of assets (“NAV Method”).
- Quoted price for listed securities, when there is a liquid and active market (“Quoted Security Price Method”).
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG 111 does not prescribe any above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert’s skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

6.3 Selected valuation methods

Given the Purchase Price includes an aggregate of cash and equity consideration, in our assessment of the fair value of ETG, we have relied on the valuation methodologies as outlined below:

- EBITDA Multiple Method – Grant Thornton Corporate Finance has selected the EBITDA capitalisation approach to assess the fair market value of ETG. We have adopted the EBITDA multiple approach due to the following key considerations:
 - Capitalisation of earnings based on EBITDA multiples is commonly adopted for companies in the travel services industry and for valuing for acquisition purposes wherein gearing is in the control of the acquirer.
 - EBITDA is a frequently used valuation metric to assess the value of a company irrespective of the differences in earnings caused by varying capital structures and depreciation and amortisation policies.
 - Availability of listed comparable companies for the calculation and analysis of implied EBITDA multiples.
 - The inherent difficulty in forecasting long-term cash flows make the discounted cash flow method inappropriate as a primary valuation method.

Our valuation assessment involves:

- Selecting an appropriate level of EBITDA (generally referred to as maintainable EBITDA), having regard to the historical and forecast operating results after adjusting for non-recurring items of income and expenditure and other known factors likely to affect the future operating performance of the business.
- Determining an appropriate EBITDA multiple having regard to the trading multiples of comparable companies and the specific circumstances of the company to be valued such as market positioning, quality of earnings, future growth prospects and investment risk.

We have cross checked our assessment of an EBITDA multiple to the multiple implied in our discount rate assessment.

7 Valuation assessment of ETG

7.1 Valuation summary

As discussed in section 6.3, we have assessed the fair market value of ETG on a control basis having regard to the EBITDA Multiple method. We have cross checked our valuation by reference to the EBITDA multiple implied from our selection of an appropriate WACC and EBIT multiple. Our conclusions are summarised below.

FME Method - Valuation summary	<i>Section</i>		
A\$Mn	reference	Low	High
Assessed maintainable EBITDA	7.3	10.5	11.5
Assessed EBITDA Multiple (on control basis)		6.0 x	7.0 x
Enterprise value (on control basis)		63.0	80.5
Less: Net Debt ¹	7.2	-	-
Add: Excess working capital		0.3	0.3
Equity value (on control basis)		63.3	80.8

Sources: GT Model, GTCF analysis.

Note: (1) We understand from the SPA that ETG is required to discharge their debt immediately prior to the scheduled completion date of the Transaction. We have accordingly made a completion adjustment to the extent of the excess working capital (completion working capital minus the estimated working capital) to the Tranche 1 cash consideration.

Based on our analysis, we have assessed the fair market value of ETG to lie in the range of A\$63.3 to A\$80.8 million on a control basis.

7.2 Net debt and Excess working capital

Estimates of working capital and net debt form the basis of the Target Working Capital nominated in the SPA which is the amount against which the completion adjustments will be determined. At completion, ETG will have only the active business and the assets necessary to conduct it including the required working capital. We understand from the SPA that ETG is required to discharge their debt immediately prior to the scheduled completion date of the Transaction and hence HLO is expected to acquire ETG on a debt free cash free basis. The working capital in the latest available balance sheet exceeds the Target Working Capital of A\$2.2 million by A\$0.3 million, which we have accordingly included in our valuation assessment as surplus.

7.3 EBITDA Multiple Method

Under this method, the underlying EBITDA is capitalised at an appropriate EBITDA multiple to determine the enterprise value of the business. We have capitalised the adjusted EBITDA at a multiple that we consider reasonably reflects the business and growth prospects of ETG, as well as the potential synergistic benefits available to potential acquirers.

7.3.1 EBITDA adopted for valuation purposes

The EBITDA adopted for valuation purposes is an exercise of judgement that takes into consideration the following factors:

- Historical performance for FY21, FY22 and LTM as shown in more detail in Section 5.3. We have made references to the normalised historical EBITDA of ETG given that it has incurred several one-

off or non-recurring expenses/revenue historically and applied different accounting practices and policies over time. Please refer to Section 5.3 for an overview of the adopted normalisation adjustments.

- High-level internal management projections and board approved budget for FY23 and FY24 respectively. ETG has not prepared any forecasts or expectations for its business beyond FY24. We have considered management's full year FY23 and FY24 projections on similar basis as the normalised historical results for FY21 to LTM.
- Key industry risks, growth prospects and general economic outlook.

EBITDA for FY19 was unaffected by the COVID-19 pandemic but reflects the operations of ETG pre-COVID. The operations of ETG in FY20, FY21 and FY22 were affected by the COVID-19 pandemic not only in ETG's ability to conduct business, but also as a result of the various government support programs for which ETG qualified. Normalised EBITDA for LTM, while less affected, was still to some extent recovering from the effects of the COVID-19 pandemic and was affected by the recovery process of the travel providers upon which it relies. For example, airlines were still in the process of recommissioning aircraft and handling systems in order to reinstate travel capacity. Further, during the LTM, airlines such as Qantas also adjusted the commission structure, lowering the commission paid to travel agents from 5.0% to 1.0%.

Whilst we have considered the forecast financial information in our assessment of the normalised EBITDA, in accordance with the requirements of RG 111, we have not disclosed them in our report as some of the assumptions underlying the scenarios are hypothetical rather than best estimates and accordingly, do not meet the requirements for presentation of prospective financial information as set out in RG 170. In our assessment of the maintainable EBITDA for ETG, we have considered the following key factors:

- The nature and size of the business.
- Future prospects of the business.
- The stability and quality of earnings.
- The effects of the recovery of the broader travel industry from the COVID-19 pandemic on the business and its earnings.

Our EBITDA assessment assumes no further lockdowns or disruption caused by the COVID-19 pandemic and a return to normalised trading conditions by FY24.

Conclusion on the EBITDA

As discussed earlier, ETG's FY20 and FY21 financial performance were adversely affected by specific circumstances outside the control of ETG which are expected to normalise in the years ahead. Accordingly, for the purpose of our valuation, we have sought to benchmark a through-the-cycle implied EBITDA multiple which would reflect the normalised financial performance of ETG.

We have set out the recalculation of the historical EBITDA of ETG in section 5.4. In our assessment of the normalised EBITDA, we have considered the following:

- In 1HFY23, ETG reported EBITDA of A\$3.8 million with the high-level management projection for the full year of FY23 being A\$10.7 million. We note that ETG is currently benefiting from a ramp up in revenue as the travel service industry recovers from the effects of the COVID-19 pandemic.
- The forecasted FY24 EBITDA includes normalisations with respect to the ticketing technology costs on an arms-length basis, margin financial services costs towards an external financial contractor engaged to assist with the integration of the new CFO and a bonus accrual adjustment among others.
- We have placed no reliance on FY21 and FY22 financial performance during which the company generated EBITDA loss of A\$4.0 million and A\$0.6 million respectively.
- We have had regard to the actual performance of ETG for the nine months up to March 2023, the LTM and the projected full year FY23 (based on the actual performance to March 2023) and the high-level FY24 projection to assess the maintainable EBITDA for ETG unaffected by the COVID-19 pandemic.

Based on the analysis above, we have selected a normalised forecast EBITDA in the range of A\$10.5 million to A\$11.5 million.

7.3.2 Trading multiples

For the purpose of assessing an appropriate EBITDA multiple range to value ETG, we have had regard to the current trading multiples of broadly comparable companies (“Trading Multiples”).

For our analysis, we considered two tiers of comparable companies. Tier 1 consists of domestically headquartered travel service companies which, similar to ETG, focus on the Australian and New Zealand market. However, given the limited number of Tier 1 companies, we also considered a second tier of comparable companies. Tier 2 consists of international companies focused on the provision of travel agency services in varying geographical markets and catering to the needs of a diverse end user segment.

In selecting the comparable companies, we consider Tier 1 companies to be more comparable as they operate in similar economic, geopolitical, capital market, and regulatory environments as ETG. Whilst Tier 2 sells into different end markets and face different geopolitical and economic risks, they share some similarities in risks and revenue drivers. However, given their size, market positioning and offline versus online channel mix, we have placed limited reliance on Tier 2 companies.

Summarised below are the EV/EBITDA trading multiples of the selected companies on a controlling basis and include a premium for control.

Company	Country	Reporting Period	Currency	Market cap ¹ A\$Mn	EV/EBITDA Multiple ^{2,3} (post-AASB16)	
					FY23	FY24
					Forecast	Forecast
Tier 1 - Domestic						
Helloworld Travel Limited	Australia	30-Jun	AUD	548	11.8x	8.6x
Corporate Travel Management Limited	Australia	30-Jun	AUD	3,732	22.1x	13.9x
Flight Centre Travel Group Limited	Australia	30-Jun	AUD	6,043	23.4x	14.0x
Webjet Limited	Australia	31-Mar	AUD	3,571	26.8x	18.0x
Average - Tier 1					21.0x	13.6x
Median - Tier 1					22.7x	14.0x
Tier 2 - International						
Rainbow Tours S.A.	Poland	31-Dec	PLN	624	5.7x	6.8x
Thomas Cook (India) Limited	India	31-Mar	INR	35,087	Na	Na
Booking Holdings Inc.	United States	31-Dec	USD	97,541	14.1x	12.2x
Global Business Travel Group, Inc.	United States	31-Dec	USD	491	7.8x	5.3x
Tripadvisor, Inc.	United States	31-Dec	USD	2,385	6.4x	5.3x
Expedia Group, Inc.	United States	31-Dec	USD	15,682	6.4x	5.6x
Despegar.com, Corp.	Argentina	31-Dec	USD	463	5.3x	4.1x
lastminute.com N.V.	Netherlands	31-Dec	EUR	311	6.5x	5.3x
Sabre Corporation	United States	31-Dec	USD	1,112	16.6x	8.7x
Trip.com Group Limited	China	31-Dec	CNY	23,261	2.1x	1.9x
Average - Tier 2					7.9x	6.1x
Median - Tier 2					6.4x	5.3x

Sources: S&P Global, GTCF Analysis.

Notes: (1) Market capitalisation on controlling basis as of 19 June 2023; (2) Enterprise Value (EV) includes net debt (interest-bearing liabilities less non-restricted cash), non-controlling interests and AASB16 liabilities; (3) EBITDA multiples as at 19 June 2023 (4) Forecast trading multiples are based on the median of broker consensus estimates. We have reviewed for impacts of reporting period on multiples wherever applicable.

A brief description of the companies listed in the table above is set out in Appendix C. We note the multiples above should be taken with caution due to the following:

- Observed share prices are in public markets and therefore the Trading Multiples derived from them are calculated based on the market price for minority or portfolio shareholdings and do not include a premium for control. Where our value assessment is based on a method that uses the value of 100.0% of the active business, which is the case for our present assessment of ETG, it is necessary to include a premium for control to reflect the benefits of controlling interests in a company which represents benefits associated with access to cash flows, access to tax benefits, ability to dictate dividends in amount and timing, and control of the board of directors of the company. We have, therefore, included a premium for control on the market capitalisation of the comparable companies to derive EV/EBITDA multiples applicable to the whole of the business from which we seek to obtain guidance for application in our valuation of the whole of the business of ETG. Empirical evidence undertaken by Grant Thornton Corporate Finance indicates that the average control premium paid above the listed market price in successful takeovers in Australia ranges between 20.0% and 40.0%. Please refer to Appendix D for an overview of this control premium study.
- The Trading Multiples considers EBITDA on an IFRS basis. AASB 16 requires that payments made on leased assets be capitalised and that rights to use assets and corresponding lease liabilities be recognised. Accordingly, lease payments are not included in expenses that derive EBITDA, and

neither are the amortisation charges for the use of the right to use asset or the finance charge inherent in the lease. The comparable companies' EBITDAs also reflect the application of AASB 16.

- The forward Trading Multiples of the comparable companies based on earnings derived from broker consensus forecasts are prepared on an IFRS basis.
- As discussed above, the Tier 2 companies selected are only comparable to the extent that they operate in similar roles in the travel services industry. However, they also trade under legal, political, governmental policy, taxation, and capital market regimes that are different to that of ETG, HLO and the Tier 1 peers. While we have had regard to the Tier 2 comparable companies, we have not placed primary reliance on them. We note that the median EBITDA multiple of the Tier 2 companies is consistently lower than that of the domestic companies potentially indicating some persistent additional risk.

Set out below is a description of HLO, as well as the rest of our selected listed peers (Tier 1), which highlights the similarities and differences with ETG that were considered in our multiple and valuation assessment.

Domestic peers

Helloworld Limited

HLO operates in a similar business model to ETG, providing air ticket consolidation travel to a network of travel agents. As previously discussed in section 4, HLO operates several business segments which generated a TTV from continuing operations of A\$1,804.0 million during the YTD⁷³, compared to ETG's TTV of A\$524.0 million for the same period. Despite an EBITDA loss of A\$10.6 million in FY22, HLO is showing a strong recovery, reflected in its recent upgrade from its initial FY23 guidance of between A\$28.0 million to A\$32.0 million to between A\$38.0 million to A\$42.0 million, with a 1HFY23 underlying EBITDA of A\$15.6 million. ETG followed a similar trend with an underlying EBITDA loss of c. A\$0.6 million in FY22 and an estimated underlying EBITDA of A\$10.7 million in FY23.

We note the size of HLO operations is larger than ETG, with over 2,000 members in its travel agency network, compared to ETG's 836 travel agents as at 31 March 2023. Both ETG and HLO primarily operate in the Australian and New Zealand market, with HLO also operating in Fiji. ETG achieved a net revenue of c. A\$7.6 million in FY22 of which 84.5% was attributable to the Australian segment and 15.5% was attributable to the New Zealand segment. Similarly, HLO generated a net revenue of A\$63.5 million in FY22, of which 98.1% was attributable to the Australian and New Zealand business. In addition, HLO recently acquired a 40.0% stake in Phill Hoffmann Travel, an Adelaide retail travel agency, that specialises in retail leisure, and a 34.0% stake in Australiareiser, a B2C travel business specialising in travel wholesale from Scandinavia to Australia. Therefore, whilst we would expect HLO to trade at a higher multiple than ETG, given the similarities, HLO would be the most comparable company among the selected peers.

Corporate Travel Management

Corporate Travel Management ("CTM") is a leading travel management company focusing on business travel and corporate event management with a market capitalisation c. A\$381.5 million⁷⁴. In FY22, CTM

⁷³ As at 31 March 2023

⁷⁴ As at 19 June 2023

generated over A\$5,070.8 million in TTV and continued to build from the momentum, posting a TTV of A\$4,199.0 million in the 1HFY23, a 101.6% increase from pcp. CTM has established operations with independent travel management companies in over 130 countries across the UK, Europe, Asia, North America and Australia, which reflects the significantly higher TTV compared to ETG. The business generated an underlying EBITDA of A\$51.3 million in 1HFY23, up 181.9% from pcp and an FY23 underlying EBITDA guidance of between A\$160.0 million to A\$180.0 million. CTM operated at an underlying EBITDA margin of 17.6% for 1HFY23, lower than that of ETG, which recorded an underlying EBITDA margin of 44.6% for LTM. North America is CTM's largest business segment achieving revenue of A\$145.7 million in 1HFY23, representing 50.1% of total revenue. The Australian and New Zealand segment collectively account for approximately 27.7% of CTM's total revenue.

While much larger and diversified as compared to ETG, CTM operates in a similar business model to ETG as both companies distribute travel products to travel experts who pass them onto consumers. Additionally, similar to ETG, CTM has developed and utilises its own online portal to manage all booking and travel management needs. Furthermore, CTM was awarded a c. A\$3,000.0 million contract from UK Home Office commencing March 2023 for two years. Such a contract will materially increase the TTV in subsequent years and drive growth within the European region in the long term. As a result, we note that CTM is a comparable company that is estimated to trade at a higher multiple than ETG.

Flight Centre

FLT is an Australian travel agency engaged in selling travel leisure and corporate travel products with a market capitalisation of c. A\$4,648.8 million⁷⁵. As one of the largest travel groups in the world, FLT recorded a TTV of A\$10,340.4 million in FY22, nearly c. 19.7 times that of ETG. With the COVID-19 pandemic disrupting the travel industry, FLT reported an underlying EBITDA loss of A\$183.1 million in FY22, however a strong recovery in 1HFY23 generated an underlying EBITDA of A\$95.1 million and a corresponding guidance of between A\$270.0 million to A\$290.0 million for the full year of FY23. FLT also acquired Scott Dunn in January 2023, a UK-based luxury travel brand with an enterprise value of A\$211.0 million and forecasted underlying EBITDA of A\$95.0 million in 1HFY23, through a A\$180.0 million equity raising. However, unlike ETG, while 50.2%⁷⁶ of the revenue is from the Australian and New Zealand operations in 1HFY23, the remaining 49.8% is comprised of North America (21.3%), Europe, the Middle East and Africa (18.3%), Asia (3.8%) and Other (6.3%). With over 3,500 travel experts, Given FLT operations are much more established than ETG, we expect it to be trading at a higher multiple.

Webjet Limited

Webjet Limited ("WEB") is a global digital travel business that specialises in both consumer and wholesale markets and has a market capitalisation of c. A\$2,746.7 million⁷⁷. WEB primarily operates across three different business segments, WebBeds, Webjet OTA (Online Travel Agent), and GoSee. The WebBeds business operates in a similar manner to ETG, connecting travel sellers to travel buyers with the exception of specialising in hotels and ground travel services. In addition, Webjet OTA acts as an online travel agent that engages directly with consumers and operates in the Australian and New Zealand market, with an increasing market share of 8.9% in FY23⁷⁸ compared to only 5.6% in FY19.

WEB has integrated over 50 subsidiaries to distribute travel products globally, which is reflected in its A\$4,346.0 million TTV in FY23, which was a 165.3% increase from pcp. WEB also has an estimated FY23

⁷⁵ Ibid

⁷⁶ FLT, Half year ended 31 December 2022 report

⁷⁷ Ibid

⁷⁸ Year end 31 March 2023

EBITDA of A\$134.8 million, which is c. 12.6 times that of ETG's forecasted underlying EBITDA of c. A\$10.7 million. However, unlike ETG, while 35.1%⁷⁹ of the revenue is from the Australian and New Zealand operations in 1HFY23, the remaining 64.9% is comprised of operations from the United Arab Emirates (25.7%), Others⁸⁰ (25.7%) and United Kingdom (13.6%). With a larger market coverage and significantly greater size, we note WEB trades at the highest EV/EBITDA multiple among the peers.

International listed peers

We considered the EBITDA multiples of the Tier 2 companies for the purposes of cross-checking our selected multiple. As discussed earlier, the Tier 2 companies traded at multiples consistently lower than the domestic business operating in the industry potentially owing to some persistent additional risk when compared to the Tier 1 comparable companies. Furthermore, ETG is significantly smaller than HLO, and much smaller than the other listed Tier 1 comparable companies. HLO's smaller size and lower trading multiples against the Tier 1 peers indicates that size is a significant risk in the industry.

Our selected multiple for ETG compares with those of the Tier 2 companies. While not directly reliable, we believe this provides a broad support owing to the additional risk of the foreign companies in comparison to those in the domestic market. This further corresponds with the additional risk we have applied in selecting a multiple for ETG because of its much smaller size.

EBITDA Multiples – Conclusion

Based on the analysis of listed comparable companies, Grant Thornton Corporate Finance has assessed an EBITDA multiple for the valuation of ETG at 6.0x to 7.0x on a control basis. We have mainly had regard to the following:

- All of the selected Tier 1 comparable companies are significantly more internationally diversified than ETG and HLO. Companies with globally diversified operations tend to have less exposure to country specific risks including political risks, exchange rate risks and other macroeconomic risks, and will consequently trade at higher multiples. Further, HLO's large agency network, similar to ETG, is built almost entirely on a network model. We note that none of the Tier 1 companies operate under this structure. Therefore, the trading EBITDA multiple for HLO (the acquirer) is and has been significantly lower than that of the other three ASX listed comparable companies.
- The remaining three domestic companies are significantly larger than HLO by approximately 4 to 5 times the market capitalisation.
- HLO's EBITDA multiple is approximately 60.0% of the median of the other three significantly bigger companies (i.e., a 40.0% discount on the median EBITDA multiple of the other Tier 1 companies). In particular, we note that size appears to make a significant difference in the domestic industry, perhaps related to greater resilience to shocks from broader networks.
- ETG is approximately five times smaller in size than HLO. Assuming that size effect is not linear as the businesses get smaller, we have discounted HLO's EBITDA multiple by between c. 20.0% and 30.0% to derive an equivalent EBITDA multiple for a similar business but at the size of ETG.

⁷⁹ WEB, Preliminary final report FY23

⁸⁰ Other countries consist of subsidiaries of WEB that are not a part of the main operations in Australia, United Arab Emirates and United Kingdom

Overall, whilst none of the peer companies are perfectly comparable to ETG, we believe the selected comparable companies as a whole, particularly HLO, provides a good guidance for the EBITDA multiple applicable to ETG.

7.3.3 Cross check on EBITDA multiple

In order to provide a cross check to the selected EBITDA multiple, we have derived the EBITDA multiples from the discount rate based on the following formula:

$$EBIT\ Multiple = \{1/[(WACC-g)/(1-t)]\}$$

The capitalisation rate of the EBIT is equal to the inverse of the WACC less the perpetual growth rate, estimated at 2.5% in line with the long-term inflation, grossed up for tax in order to be consistent with the EBIT which is earnings before interest and tax.

We have set out our calculation below.

EBIT multiple derived from inverse WACC		
	Low	High
WACC	13.8%	11.7%
Long term growth rate	2.5%	2.5%
Debt free Net income (cash flow capitalisation rate)	11.3%	9.2%
Tax rate	30.0%	30.0%
EBIT Cap rate	16.1%	13.1%
1 / EBIT Cap Rate i.e., EBIT multiple	6.2x	7.6x

For the purpose of our cross check and given that ETG has minimal level of depreciation, we have assumed a substantial equivalency between EBITDA and EBIT multiple.

Our analysis above supports our assessment of the EBITDA multiple based on the comparable companies.

8 The Purchase Price

8.1 Conclusion on the Purchase Price

HLO entered into the SPA to acquire ETG for a total Purchase Price of A\$70.0 million comprising the following:

- A\$50.0 million payable at completion, the Tranche 1 Payment, via A\$40.0 million cash plus A\$10.0 million in HLO shares calculated based on the VWAP over the 20 business days prior to the announcement of the Proposed Transaction. The number of HLO shares to be issued is estimated to be 3,647, based on the 20-day VWAP of A\$2.741 as 19 June 2023.
- A\$20.0 million payable 14 days after the FY23 audited accounts are agreed or determined in the terms of the SPA, the Tranche 2 Payment. The Tranche 2 Payment comprises A\$15.0 million cash plus A\$5.0 million in HLO shares calculated based on the VWAP over the 14 days following the determination of ETG's FY23 audited accounts. The number of HLO shares to be issued is estimated at 1,823,842.

In the following sub-sections, we estimate the number of HLO shares that will be issued as part of the Purchase Price. To do this, we assume as a proxy that the future VWAPs of HLO shares at the dates of the payments will be the same as the corresponding VWAP up to the date of this report.

The SPA includes a completion adjustment equivalent to the positive or negative difference between the estimated net debt and working capital at completion compared with the Target Net Debt and the Target Working Capital as it is customary for a transaction of this type.

8.2 HLO shares forming part of the Purchase Price

A portion of each of the first and second tranche of the Purchase Price is composed of HLO shares. In our assessment of the fair market value of the scrip component of the Purchase Price, we have had regard to the trading price of HLO on the ASX in the period prior to the announcement of the Transaction. Reference to the trading price of a security for valuation purposes is the Quoted Security Price Method of valuation.

The assessed value per share based on the trading price is an exercise in professional judgement that takes into consideration the depth of the market for listed securities, the volatility of the trading price, and whether or not the trading price is likely to represent the underlying value of HLO.

Based on the analysis below, in our view, the Quoted Security Price Method of valuation is appropriate to apply in determining the number of HLO shares that are likely to be issued as scrip consideration in each tranche of the Purchase Price.

Clearly, the value of HLO shares used as part consideration for the first and second tranche of the Purchase Price cannot be known at the date of this report because the events giving rise to each tranche will take place in the future. For the purposes of our analysis, we assume that the VWAP of HLO shares for the 20 days prior to the date of this report will be similar, if not the same, as the VWAP for the 20 days prior to the announcement of the Transaction and also the VWAP for the 20 days prior to the date of the payment of the second tranche of consideration which is 14 days after the FY23 audited accounts of ETG are agreed or finally determined.

The VWAP for HLO shares for the 20 days prior to the date of this report is A\$2.741. Accordingly, we estimate that the number of HLO shares to be issued as part consideration in tranche one is 3,647,998, and for tranche two is 1,823,842 which is divided equally between the Vendors. We note that the liquidity and volatility of the share price movement may impact the number of shares being issued and therefore the consideration amount, this is just a proxy of the future number of shares to be issued.

8.2.1 Liquidity analysis

In accordance with the requirements of RG 111, we have analysed the liquidity of HLO shares before relying on them for the purpose of our assessment. We have set out below the trading volume from May 2022 to April 2023 as a percentage of the total shares outstanding as well as free float shares outstanding.

Helloworld Travel - Liquidity Analysis				Cumulative		Cumulative	
Month end	Volume traded ('000)	Monthly VWAP (\$)	Total value of shares traded (\$'000)	Volume traded as % of total shares	Volume traded as % of total shares	Volume traded as % of free float shares	Volume traded as % of free float shares
May 2022	6,971	2.4029	16,751	4.5%	4.5%	10.3%	10.3%
Jun 2022	7,772	1.8131	14,090	5.0%	9.5%	11.5%	21.7%
Jul 2022	3,121	1.7132	5,346	2.0%	11.5%	4.6%	26.3%
Aug 2022	3,031	1.9694	5,969	2.0%	13.5%	4.5%	30.8%
Sep 2022	3,333	2.0496	6,830	2.1%	15.6%	4.9%	35.7%
Oct 2022	1,661	1.9987	3,320	1.1%	16.7%	2.4%	38.2%
Nov 2022	8,860	1.6653	14,755	5.7%	22.4%	13.1%	51.2%
Dec 2022	9,909	1.4055	13,928	6.4%	28.8%	14.6%	65.9%
Jan 2023	11,644	1.6765	19,521	7.5%	36.3%	17.2%	83.0%
Feb 2023	16,089	2.1512	34,611	10.4%	46.7%	23.7%	106.8%
Mar 2023	11,236	2.2637	25,435	7.2%	53.9%	16.6%	123.3%
Apr 2023	15,172	2.6665	40,457	9.8%	63.7%	22.4%	145.7%
Min				1.07%		2.45%	
Average				5.31%		12.14%	
Median				5.36%		12.26%	
Max				10.38%		23.73%	

Sources: S&P Global and GTCF Analysis.

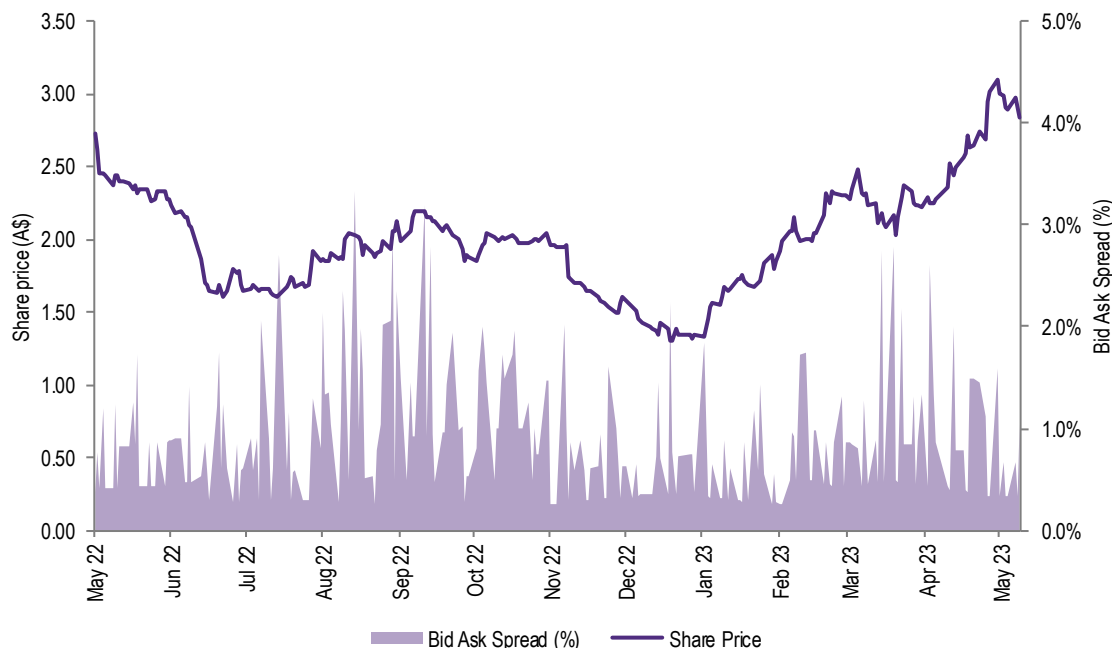
With regard to the above analysis, we note that:

- The level of free float for HLO is relatively high at c. 56.6%⁸¹. Although the two largest shareholders hold a collective c. 26.4% interest in the Company, during the last 12 months, c. 145.7% of the free float shares were traded with an average monthly volume of 12.1% of the total free float shares.
- The volume of free float shares traded during May 2022 and June 2022 aligned with the appointment of the new CEO, Mr Michael Smith.

⁸¹ The free float is calculated based on total outstanding shares less shares held by Management and strategic investors sourced from S&P Global.

- Higher monthly volumes of trading can also be noticed subsequent to Qantas declaring the sale of its shareholding on 8 November 2022. In addition, over this period HLO announced several acquisitions in smaller retail travel agency businesses.

HLO – Bid/Ask Spread since 1 May 2022 to 10 May 2023



Sources: S&P Global and GTCF Analysis.

As set out in the graph above, we note that the historical average and median bid-ask spread has been relatively low at 0.9% and 0.8% respectively, with spikes over 3.0% in conjunction with small movements in the trading price. Higher levels of bid-ask spreads are observed at the start of the FY23 financial year, coinciding with lower-than-average trading volumes.

Based on the analysis above, we conclude that there is adequate liquidity in HLO's trading price for utilisation of the Quoted Security Price Method as required by pursuant to RG 111.

8.2.2 Analysis of the trading price

We are of the opinion the trading price of HLO shares on the ASX is useful for the purpose of assessing the merits of the Transaction in estimating the likely number of HLO shares that will form the scrip component of both tranches of the Purchase Price.

Set out below is a summary of the VWAP of HLO shares over the last three months before the date of this report. This table includes the VWAP for the 20 days prior to the date of this report which is A\$2.741.

HLO VWAP analysis		Low	High	VWAP
Up to	19 Jun 2023			
1 day		2.700	2.880	2.777
5 day		2.700	2.930	2.827
10 day		2.700	2.930	2.832
20 day		2.510	2.930	2.741
2 month		2.510	3.170	2.842
3 month		2.020	3.170	2.703

Source: GTCF analysis, S&P Global.

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9 Sources of information, disclaimer and consents

9.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Annual reports/consolidated accounts of ETG for FY17, FY18, FY19, FY20, and 1H21 and FY21
- FY23 Management forecast and FY24 board approved budget
- Share purchase agreement dated 5 June 2023
- Financial due diligence report
- Access to other relevant documents in the Data Room
- Transaction databases such as S&P Global Capital IQ and Mergermarket
- IBISWorld
- Various broker reports for the Company and for the listed peers
- Other publicly available information.

In preparing this report, Grant Thornton Corporate Finance has also held discussions with, and obtained information from the Management of HLO.

9.2 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by the Company, and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by the Company through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of the Company.

This Report has been prepared to assist the Directors in advising the Company's shareholders in relation to the Proposed Transaction. This Report should not be used for any other purpose. In particular, it is not intended that this Report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion in relation to the Proposed Transaction.

HLO has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by the Company, which the Company knew or should have known to be false and/or reliance on

information, which was material information the Company had in its possession and which the Company knew or should have known to be material and which did not provide to Grant Thornton Corporate Finance. The Company will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

9.3 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Transaction Booklet to be sent to HLO shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and context in which it appears.

Appendix A – Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future.

Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses. This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Appendix B – Discount rate

Introduction

The cash flow assumptions underlying the DCF approach are on a nominal, ungeared and post-tax basis. Accordingly, we have assessed a range of nominal post-tax discount rates for the purpose of calculating the net present value of the cash flows.

The discount rates were determined using the WACC formula. The WACC represents the average of the rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows, weighted in proportion to the market value of the debt and equity capital provided. However, we note that the selection of an appropriate discount rate is ultimately a matter of professional judgment.

Under a classical tax system, the nominal WACC is calculated as follows:

$$WACC = R_d \times \frac{D}{D+E} \times (1-t) + R_e \times \frac{E}{D+E}$$

Where:

- R_e = the required rate of return on equity capital;
- E = the market value of equity capital;
- D = the market value of debt capital;
- R_d = the required rate of return on debt capital; and
- t = the statutory corporate tax rate.

Required rate of return on equity capital

We have used the CAPM, which is commonly used by practitioners, to calculate the required return on equity capital.

The CAPM assumes that an investor holds a large portfolio comprising risk-free and risky investments. The total risk of an investment comprises systematic risk and unsystematic risk. Systematic risk is the variability in an investment's expected return that relates to general movements in capital markets (such as the share market) while unsystematic risk is the variability that relates to matters that are unsystematic to the investment being valued.

The CAPM assumes that unsystematic risk can be avoided by holding investments as part of a large and well-diversified portfolio and that the investor will only require a rate of return sufficient to compensate for the additional, non-diversifiable systematic risk that the investment brings to the portfolio. Diversification cannot eliminate the systematic risk due to economy-wide factors that are assumed to affect all securities in a similar fashion.

Accordingly, whilst investors can eliminate unsystematic risk by diversifying their portfolio, they will seek to be compensated for the non-diversifiable systematic risk by way of a risk premium on the expected return. The extent of this compensation depends on the extent to which the company's returns are correlated with

the market as a whole. The greater the systematic risk faced by investors, the larger the required return on capital will be demanded by investors.

The systematic risk is measured by the investment's beta. The beta is a measure of the co-variance of the expected returns of the investment with the expected returns on a hypothetical portfolio comprising all investments in the market - it is a measure of the investment's relative risk.

A risk-free investment has a beta of zero and the market portfolio has a beta of one. The greater the systematic risk of an investment the higher the beta of the investment.

The CAPM assumes that the return required by an investor in respect of an investment will be a combination of the risk-free rate of return and a premium for systematic risk, which is measured by multiplying the beta of the investment by the return earned on the market portfolio in excess of the risk-free rate.

Under the CAPM, the required nominal rate of return on equity (Re) is estimated as follows:

$$R_e = R_f + \beta_e (R_m - R_f)$$

Where:

- Rf = risk free rate
- β_e = expected equity beta of the investment
- (Rm – Rf) = market risk premium

Risk-free rate – 3.5%

In the absence of an official risk-free rate, the yield on government bonds (in an appropriate jurisdiction) is commonly used as a proxy. Accordingly, we have observed the yield on the 10-year Australian Government bond over several intervals from a period of 5 trading days to 10 trading years. The following table sets out the average yield on 10-year Australian Government Bond over the last 10 years.

Australia Government Debt - 10 Year as at 19 June 2023		Range		Daily average Nominal
Previous 5 trading days	3.94%	-	4.04%	3.99%
Previous 10 trading days	3.81%	-	4.04%	3.95%
Previous 20 trading days	3.61%	-	4.04%	3.82%
Previous 30 trading days	3.33%	-	4.04%	3.70%
Previous 60 trading days	3.19%	-	4.04%	3.53%
Previous 1 year trading	2.99%	-	4.21%	3.61%
Previous 2 years trading	1.05%	-	4.21%	2.83%
Previous 3 years trading	0.73%	-	4.21%	2.28%
Previous 5 years trading	0.60%	-	4.21%	2.04%
Previous 10 years trading	0.60%	-	4.44%	2.50%

Source: S&P Global.

Given the current volatility in the global financial markets in conjunction with COVID-19, quantitative easing by central banks, as well as the longer investment period on infrastructure investments, we have placed more emphasis on the average risk-free rate observed over a longer period of time. Accordingly, our adopted risk-free rate of 3.5% which reflects long term expectations and is not inconsistent with the spot yields.

Market risk premium – 6.0%

The market risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk-free rate of return is earned. However, given the inherent high volatility of realised rates of return, especially for equities, the market risk premium can only be meaningfully estimated over long periods of time. In this regard, Grant Thornton studies of the historical risk premium over periods of 20 to 80 years suggest a risk premium between 5.5% and 6.0% for the Australia markets.

For the purpose of the WACC assessment, Grant Thornton Corporate Finance has adopted a market risk premium of 6.0%.

Equity beta – 1.0 to 1.2

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation.

An equity beta includes the effect of gearing on equity returns and reflects the riskiness of returns to equity holders. However, an asset beta excludes the impact of gearing and reflects the riskiness of returns on the asset, rather than returns to equity holders. Asset betas can be compared across asset classes independent of the impact of the financial structure adopted by the owners of the business.

Equity betas are typically calculated from historical data. These are then used as a proxy for the future which assumes that the relative risk of the past will continue into the future. Therefore, there is no right equity beta, and it is important not to simply apply historical equity betas when calculating the cost of equity. For the purpose of the report, we would normally have regard to the observed betas (equity betas) of listed companies operating in the industry.

Beta analysis	Market cap	Equity	R -	Gearing	Ung geared	Regeared	Adopted
Company	Country	A\$m	Beta	squared	Ratio	Beta	Beta
Tier 1							
Helloworld Travel Limited	Australia	422	0.87	0.07	(5.3%)	0.87	1.04
Corporate Travel Management Limited	Australia	2,871	0.87	0.17	(3.4%)	0.87	1.05
Flight Centre Travel Group Limited	Australia	4,649	0.62	0.07	11.5%	0.58	0.69
Webjet Limited	Australia	2,747	0.65	0.12	(7.5%)	0.65	0.78
Low (Tier 1)							0.69
Average (Tier 1)							0.89
Median (Tier 1)							0.91
High (Tier 1)							1.05
Tier 2							
Rainbow Tours S.A.	Poland	224	0.60	0.08	1.1%	0.59	0.71
Thomas Cook (India) Limited	India	625	0.40	0.03	(4.1%)	0.40	Nmf
Booking Holdings Inc.	United States	142,391	1.52	0.53	(2.3%)	1.52	1.82
Global Business Travel Group, Inc.	United States	717	0.37	0.02	150.9%	0.17	Nmf
Tripadvisor, Inc.	United States	3,481	1.65	0.32	(2.1%)	1.65	1.98
Expedia Group, Inc.	United States	22,893	1.85	0.50	3.9%	1.79	2.15
Despegar.com, Corp.	Argentina	676	1.60	0.30	(32.9%)	1.60	1.92
lastminute.com N.V.	Netherlands	507	0.90	0.12	(26.5%)	0.90	1.08
Sabre Corporation	United States	1,624	2.13	0.29	246.6%	0.72	0.87
Trip.com Group Limited	China	33,957	0.95	0.09	1.8%	0.94	1.12
Low (Tier 2)							0.71
Average (Tier 2)							1.47
Median (Tier 2)							1.46
High (Tier 2)							2.15
Low (Tier 1 & 2)							0.69
Median (Tier 1 & 2)							1.06
Average (Tier 1 & 2)							1.27
High (Tier 1 & 2)							2.15

Source: S&P Global and GTCF calculations.

Note (1): Equity betas are calculated using data provided by S&P Global as at 19 June 2022. The betas are based on a two-year period with weekly observations based on the MSCI index. Betas have been ungeared based on the average gearing ratio (i.e., net debt divided by shareholders' equity based on market values). Betas have been regeared based on the assumed regearing ratio of 11.0%.

It should be noted that the above betas are drawn from the actual and observed historical relationship between risk and returns. From these actual results, the expected relationship is estimated generally on the basis of extrapolating past results. Despite the arbitrary nature of the calculations, it is important to assess their commercial reasonableness. That is to assess how closely the observed relationship is likely to deviate from the expected relationship.

Consequently, while measured equity betas of the listed comparable companies provide useful benchmarks against which the equity beta used in estimating the cost of equity for the predevelopment assets, the selection of an unsystematic equity beta requires a level of judgement.

The asset betas of the selected companies are calculated by adjusting the equity betas for the effect of gearing to obtain an estimate of the business risk of the comparable companies, a process commonly referred to as de-gearing. We have then recalculated the equity beta based on an assumed 'optimal' capital

structure deemed appropriate for the business (re-gearing). This is a subjective exercise, which carries a significant possibility of estimation error.

We note that in computing the gearing for the purpose of de-gearing and re-gearing the selected equity betas we have excluded any lease liabilities from the net debt computation of ETG and of its peers.

We used the following formula to undertake the de-gearing and re-gearing exercise:

$$\beta_e = \beta_a \left[1 + \frac{D}{E} \times (1 - t) \right]$$

Where:

- β_e = Equity beta
- β_a = Asset beta
- t = corporate tax rate

The betas are de-gearred using the average historical gearing levels of those respective companies over several years. We note that most comparable companies had net cash positions. We then re-gearred based on a gearing ratio of 10.0% debt (see Capital Structure Section below for further discussions).

As a result, for the purposes of our valuation, we have selected a beta range of between 1.0 and 1.2 to calculate the required rate of return on equity capital.

Specific risk premium – 3.0% - 4.0%

The specific risk premium represents the additional return an investor expects to receive to compensate for country, size and project related risk not reflected in the beta of observed comparable companies. We have applied an additional risk premium which factors for a blend of ETG's size and company specific factor such as the risk associated with ETG achieving and maintaining its operations at assessed capacity as well as achieving the related cost savings and target sales channel mix that is not considered otherwise in the multiple.

We note that the selection of the specific risk premium involves a certain level of professional judgement and as a result, the total specific risk premium is not fully quantifiable with analytical data.

Cost of debt – 6.0% - 7.0%

For the purpose of estimating the cost of debt applicable to ETG, Grant Thornton Corporate Finance has considered the following:

- The weighted average interest rate on credit outstanding for medium businesses over the last one to five years as published by the Reserve Bank of Australia.
- Expectations of the yield curve.

Based on the above, Grant Thornton Corporate Finance has adopted a cost of debt between 6.0% and 7.0% on a pre-tax basis.

Capital Structure

The appropriate level of gearing that is utilised in determining WACC for a particular company should be the “target” gearing ratio, rather than the actual level of gearing, which may fluctuate over the life of a company. The target or optimal gearing level can therefore be derived based on the trade-off theory which stipulates that the target level of gearing for a project is one at which the present value of the tax benefits from the deductibility of interest are offset by present value of costs of financial distress. In practice, the target level of gearing is evaluated based on the quality and variability of cash flows. These are determined by:

- the quality and life cycle of a company;
- the quality and variability of earnings and cash flows;
- working capital;
- level of capital expenditure; and
- the risk profile of the assets.

For the purpose of the valuation, Grant Thornton Corporate Finance has adopted a capital structure based on 10.0% debt and 90.0% equity. In determining the appropriate capital structure, while it is not uncommon for companies in this industry to have a net cash position, we have had regard to the current capital structure of ETG and its peers, and the requirement of the discharge of ETG’s debt at the scheduled completion date.

Tax rate –30.0%

For the purpose of our valuation assessment, we have assumed the Australian corporate tax rate of 30.0%.

Discount rate summary

WACC calculation	Low	High
Cost of equity		
Risk free rate	3.5%	3.5%
Beta	1.00	1.21
Market risk premium	6.0%	6.0%
Size risk premium	3.0%	4.0%
Cost of equity	12.5%	14.8%
Cost of debt		
Cost of debt (pre tax)	6.0%	7.0%
Tax	30.0%	30.0%
Cost of debt (post tax)	4.2%	4.9%
Capital structure		
Proportion of debt	10.0%	10.0%
Proportion of equity	90.0%	90.0%
	100.0%	100.0%
WACC (post tax)	11.7%	13.8%

Source: GTCF Analysis.

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Appendix C – Comparable companies descriptions

Company	Description
Helloworld Travel Limited	Helloworld Travel Limited operates as a travel distribution company in Australia, New Zealand, and internationally. The company provides international and domestic travel products and services, as well as operates a franchised network of travel agents. It also operates retail travel brands, including Helloworld Travel—the Travel Professionals; and a network of retail outlets, such as Helloworld Travel Associate, Helloworld Business Travel, Magellan Travel, Mobile Travel Agent, My Travel Group, and The Travel Brokers; and distributes travel products and provides services under the Viva Holidays, Sunlover Holidays, Territory Discoveries, Asia Escape Holidays, Skiddoo, GO Holidays, Ready Rooms, Seven Oceans Cruises, and Willimments Travel brands, as well as operates needitnow.com.au. In addition, the company provides inbound travel management services through AOT Inbound, AOT NZ, ATS Pacific, and Experience Tours Australia brands; and international airfare distribution and ticketing services through Air Tickets brand, and travel consultant services through SmartTickets technology platform. Further, it offers access to a database of various ocean and river cruise products, including itineraries, cruise lines, ocean and river cruise vessels, and information on various ports, as well as cruise packaging and services. The company was formerly known as Helloworld Limited and changed its name to Helloworld Travel Limited in April 2017. Helloworld Travel Limited was incorporated in 2000 and is based in Melbourne, Australia.
Corporate Travel Management Limited	Corporate Travel Management Limited, a travel management solutions company, manages the purchase and delivery of travel services for the corporate market. It operates through four segments: Australia and New Zealand, North America, Asia, and Europe. The company provides corporate and event travel management, leisure travel, loyalty travel, and wholesale travel services. Corporate Travel Management Limited was founded in 1994 and is based in Brisbane, Australia.
Flight Centre Travel Group Limited	Flight Centre Travel Group Limited provides travel retailing services for the leisure and corporate sectors in Australia, New Zealand, Americas, Europe, the Middle East, Africa, Asia, and internationally. The company offers leisure travel services for the niche sectors, as well as mass, youth, premium, and cruise markets; and corporate travel services for organizations of various sizes across industries, as well as supplies products to its national and international network, or travel retail outlets. It also provides tour operations, hotel management, and destination management services. In addition, the company offers other travel related services, including foreign currency exchange and travel academies; recruitment marketing and bike retailing; and employee benefit services. It provides its services primarily under the Flight Centre brand, as well as other travel brands, such as Student Flights, Travel Associates, Liberty Travel, Infinity Holidays, GOGO Vacations, FCm Travel Solutions, Corporate Traveller, Stage and Screen, and clevents. The company was formerly known as Flight Centre Limited and changed its name to Flight Centre Travel Group Limited in November 2013. Flight Centre Travel Group Limited was incorporated in 1987 and is headquartered in South Brisbane, Australia.
Webjet Limited	Webjet Limited provides online travel booking services in Australia, New Zealand, the United Arab Emirates, the United Kingdom, and internationally. It operates through Business to Consumer Travel and Business to Business Travel segments. The company enables its customers to compare, combine, and book domestic and international travel flight deals, hotel accommodation packages, travel insurances, rental cars, and motorhomes. Its brands include Webjet, GoSee, Trip Ninja, Rezchain, Roomdex, LockTrip.com, JacTravel, Sunhotels, Lots of Hotels, Totalstay, Destinations of the World, FIT Ruums, and Umrah Holidays International. The company serves retail and corporate travel agents, online travel agencies, wholesalers, and tour operators. Webjet Limited was incorporated in 1980 and is based in Melbourne, Australia.
Rainbow Tours S.A.	Rainbow Tours S.A. operates as a tour operator and travel agent in Poland, the Czech Republic, Slovakia, Lithuania, and Ukraine. The company was founded in 1990 and is headquartered in Łódź, Poland.
Thomas Cook (India) Limited	Thomas Cook (India) Limited offers integrated travel services in India and internationally. It operates through Financial Services; Travel and Related Services; Vacation Ownership and Resorts Business; and Digiphoto Imaging Services segments. The Financial Services segment engages in the wholesale, and retail purchase and sale of foreign currencies and paid documents. The Travel and Related Services segment is involved in tour operations, travel management, visa services, and travel insurance and related activities. The Vacation Ownership and Resorts Business segment engages in the time share holiday's business. The Digiphoto Imaging Services segment offers turnkey imaging solutions and related services. The company was founded in 1881 and is headquartered in Mumbai, India. As of March 31, 2022, Thomas Cook (India) Limited operates as a subsidiary of Fairbridge Capital (Mauritius) Limited.
Booking Holdings Inc.	Booking Holdings Inc. provides travel and restaurant online reservation and related services worldwide. The company operates Booking.com, which offers online accommodation reservations; Rentalcars.com that provides online rental car reservation services; and Priceline, which offer online travel reservation services, and consumers hotel, flight, and rental car reservation services, as well as vacation packages, cruises, and hotel distribution services. It also operates Agoda that provides online accommodation reservation services, as well as flight, ground transportation and activities reservation services. In addition, the company operates KAYAK, an online meta-search service that allows consumers to search and compare travel itineraries and prices, comprising airline ticket, accommodation reservation, and rental car reservation information; and OpenTable for booking online restaurant reservations. Further, it offers travel-related insurance products, and restaurant management services to consumers, travel service providers, and restaurants; and advertising services. The company was formerly known as The Priceline Group Inc. and changed its name to Booking Holdings Inc. in February 2018. The company was founded in 1997 and is headquartered in Norwalk, Connecticut.
Global Business Travel Group, Inc.	Global Business Travel Group, Inc. provides business-to-business (B2B) travel platform in the United States and internationally. The company's platform offers a suite of technology-enabled solutions to business travelers and clients; travel content suppliers including airlines, hotels, ground transportation, and aggregators; and third-party travel agencies. It also provides consulting, and meetings and events planning services. The company is based in New York, New York.

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Company	Description
Tripadvisor, Inc.	TripAdvisor, Inc. operates as an online travel company, primarily engages in the provision of travel guidance products and services worldwide. The company operates in three segments: Tripadvisor Core, Viator, and TheFork. The Tripadvisor Core segment offers travel guidance platforms for travelers to discover, generate, and share authentic user-generated content in the form of ratings and reviews for destinations, points-of-interest, experiences, accommodations, restaurants, and cruises. The Viator's segment provides pure-play experiences online travel agency that evaluates businesses and enables travelers to discover and book tours, activities, and attractions from experience operators. TheFork segment provides an online marketplace that enables diners to discover and book online reservations at restaurants. TripAdvisor, Inc. was founded in 2000 and is headquartered in Needham, Massachusetts.
Expedia Group, Inc.	Expedia Group, Inc. operates as an online travel company in the United States and internationally. The company operates through Retail, B2B, and trivago segments. Its brand portfolio includes Brand Expedia, a full-service online travel brand with localized websites; Hotels.com for marketing and distributing lodging accommodations; Vrbo, an online marketplace for the alternative accommodations; Orbitz; Travelocity; Wotif Group; CheapTickets; ebookers; Expedia; Hotwire; CarRentals.com; Classic Vacations; and Expedia Cruise. The company's brand portfolio also comprises Expedia Partner Solutions, that offers private label and co-branded products through third-party websites; and Egencia that provides travel services to businesses and corporate customers. In addition, its brand portfolio consists of Trivago, a hotel metasearch website, which send referrals to online travel companies and travel service providers from hotel metasearch websites. Further, the company provides loyalty programs, hotel accommodations and alternative accommodations, and advertising and media services. It serves leisure and corporate travelers, that includes travel agencies, tour operators, travel supplier direct websites and call centers, consolidators and wholesalers of travel products and services, online portals and search websites, travel metasearch websites, mobile travel applications, and social media websites, as well as traditional consumer ecommerce and group buying websites. The company was formerly known as Expedia, Inc. and changed its name to Expedia Group, Inc. in March 2018. Expedia Group, Inc. was founded in 1996 and is headquartered in Seattle, Washington.
Despegar.com, Corp.	Despegar.com, Corp., an online travel company, provides a range of travel and travel-related products to leisure and corporate travelers through its websites and mobile applications in Latin America and the United States. The company operates in two segments, Travel Business and Financial Services Business. It sells airline tickets, travel packages, hotel rooms, car rentals, bus and cruise tickets, travel insurance, destination services, and other travel-related products, which enable consumers to find, compare, plan, and purchase travel products through its marketplace. The company also provides a technology platform for its travel suppliers to manage the distribution of their travel products and access to traveler customers. In addition, it offers loan origination services to its travel business' customers and to customers of other merchants in various industries; processing, fraud identification, credit scoring and IT services to travel business, and to third-party merchants; and Koin, an online payment and consumer lending services platform. The company offers travel products and services under the Despegar, Decolar, Best Day, BD Experience, and HotelDo brands. Despegar.com, Corp. was founded in 1999 and is based in Buenos Aires, Argentina.
lastminute.com N.V.	lastminute.com N.V. operates in the online travel industry in Italy, Spain, the United Kingdom, France, Germany, and internationally. It operates through Online Travel Agency (OTA), Meta-search, and Other segments. The company provides mobile apps and websites in approximately 17 languages and 40 countries, which enable travelers to search, compare, and book flights, vacation packages and cruises, hotel accommodations, car rentals, and other travel products and services. It also directs traffic from its websites to the sites of the OTAs, airlines, hotel providers, and other direct providers. In addition, the company operates as a seller of web-based advertising spaces and media contents primarily on OTA platforms, web sites, and third-party partners available spaces. Its primary brands include lastminute.com, weg.de, Jetcost, Volagratis, Rumbo, Bravofly, Hotelscan, Crocierissime, and Forward, as well as Madfish, HolidayIQ, Wayn, and Pigi Shipping. The company was formerly known as Bravofly Rumbo Group N.V. and changed its name to lastminute.com N.V. in May 2015. lastminute.com N.V. was founded in 2004 and is based in Amsterdam, the Netherlands.
Sabre Corporation	Sabre Corporation, through its subsidiaries, provides software and technology solutions for the travel industry worldwide. It operates in two segments, Travel Solutions and Hospitality Solutions. The Travel Solutions segment operates a business-to-business travel marketplace that offers travel content, such as inventory, prices, and availability from a range of travel suppliers, including airlines, hotels, car rental brands, rail carriers, cruise lines, and tour operators with a network of travel buyers comprising online and offline travel agencies, travel management companies, and corporate travel departments. This segment also provides a portfolio of software technology products and solutions through software-as-a-service (SaaS) and hosted delivery models to airlines and other travel suppliers. Its products include reservation systems for carriers, commercial and operations products, agency solutions, and data-driven intelligence solutions. The Hospitality Solutions segment provides software and solutions to hoteliers through SaaS and hosted delivery models. Sabre Corporation was incorporated in 2006 and is headquartered in Southlake, Texas.
Trip.com Group Limited	Trip.com Group Limited operates as a travel service provider for accommodation reservation, transportation ticketing, packaged tours and in-destination, corporate travel management, and other travel-related services in China and internationally. The company acts as an agent for hotel-related transactions and selling air tickets, as well as provides train, long-distance bus, and ferry tickets; travel insurance products, such as flight delay, air accident, and baggage loss coverage; and air-ticket delivery, online check-in and seat selection, express security screening, real-time flight status tracker, and airport VIP lounge services. It also provides independent leisure travelers bundled packaged-tour products comprising group, semi-group, and customized and packaged tours with various transportation arrangements, including air, cruise, bus, and car rental services. In addition, the company offers integrated transportation and accommodation services; destination transportation and ticket, activity, insurance, visa, and tour guide services; user support, supplier management, and customer relationship management services; and in-destination products and services. Further, it provides its corporate clients with business visit, incentive trip, meeting and conference, travel data collection and analysis, industry benchmark, cost saving analysis, and travel management solutions; and Corporate Travel Management System, an online platform that integrates information management, online booking and authorization, online inquiry, and travel reporting systems. Additionally, the

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Company	Description
	company offers online advertising and financial services. It operates under the Ctrip, Qunar, Trip.com, and Skyscanner brands. The company was formerly known as Ctrip.com International, Ltd. and changed its name to Trip.com Group Limited in October 2019. Trip.com Group Limited was founded in 1999 and is headquartered in Shanghai, the People's Republic of China.

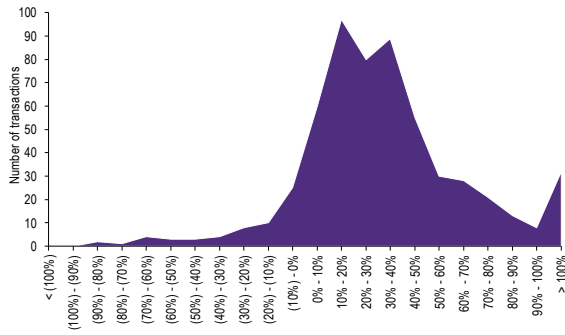
Source: S&P Global.

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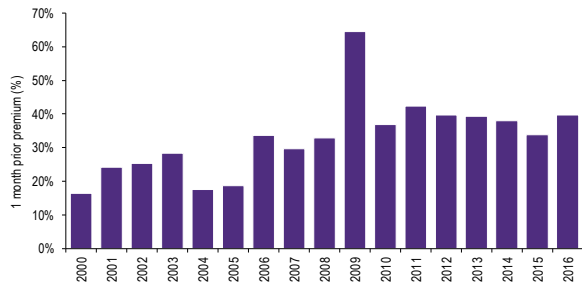
Appendix D – Control Premium study

Evidence from studies indicates that the premium for control on successful takeovers has frequently been in the range of 20.0% to 40.0% in Australia, and that the premium can vary significantly for each transaction.

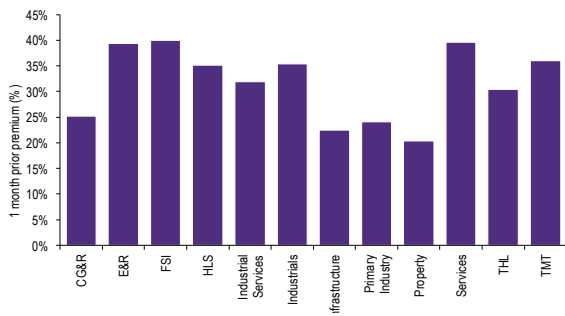
1 Month Prior Control Premium



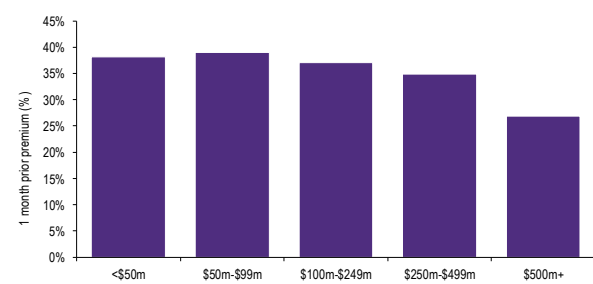
Control premium per completion date



Control premium per industry



Control premium and size



	Control premium
Average	34.33%
Median	29.34%

Source: GTCF Analysis.

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Appendix E – Glossary

\$ or A\$	Australian Dollar
APES 225	Accounting Professional and Ethical Standard 225 "Valuation Services"
ASIC	Australian Securities Investments Commission
ASX	Australian Securities Exchange
ATAS	Australian Travel Accreditation Scheme
B2B	Business to Business
B2C	Business to Consumer
BSP	Billing and Settlement Plan
Corporations Act	Corporations Act 2001
CTM	Corporate Travel Management
DCF Method	Discounted Cash Flows Methodology
EPS	Earnings per share
ETG	Express Travel Group Limited
ETG Shares or Express Travel Group Shares	The issued shares of Express Travel Group Holdings Limited
EUR	Euro
Express Travel Group or ETG or the Group	Express Travel Group Limited
FIRB	Court and Foreign Investments Review Board
FLT	Flight Centre Travel Group
FME Method	Future Maintainable Earnings Methodology
FSG	Financial Services Guide
FTG	First Travel Group
GBP	British Pound
GDS	Global distribution systems
GRI	Global Reporting Initiative Standard
GT Model	Grant Thornton Corporate Finance Valuation Model
GTCF, Grant Thornton, or Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd (CAN 003 265 987)
HLO or the Company	Helloworld Travel Limited
HLO Shareholders or Helloworld Travel Limited Shareholders or Shareholders	HLO shareholders
IER	Independent Expert's Report
IFAM	International Flight Assistance Mechanism
ITA	Independent Travel Advisors
italktravel	italktravel & cruise
ITG	Independent Travel Group
LTM	latest twelve months
NAV Method	Net Asset Value Methodology
Non-Associated Shareholders	shareholders not associated with the Proposed Transaction
NZD	New Zealand dollar
OETG	Orient Express Travel Group Pty Ltd
OTA	Online travel agents
pcp	Prior comparative period
Purchase Price	HLO entered into a binding Share Sale Deed to acquire ETG for a total purchase price of A\$70 million
QSP Method	Quoted Security Price Method
RG 111	ASIC Regulatory Guide 111 "Contents of expert reports"
RG 112	ASIC Regulatory Guide 112 "Independence of experts"

RG60	ASIC Regulatory Guide 60 "Scheme of Arrangement"
SPA	Share Purchase Agreement or Share Sale Deed
STG	Select Travel Group
Substantial Shareholder	Sintack Pty Ltd
Trading Multiples	Current trading multiples of comparable companies
Tranche 1 Payment	A\$50.0 million tranche 1 payment set out in the Share Sale Deed
Tranche 2 Payment	A\$20.0 million payable 14 days after the FY23 audited accounts are agreed or determined in accordance with the terms of the SPA
TTV	Total Transaction Value
Vendors	Tom Manwaring and the Alysandratos family via Dragonhills Pty Ltd and CTG Investments Pty Ltd respectively
WEB	Webjet Limited
YoY	Year on Year
YTD	Year to Date

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Corporate directory

Company

Helloworld Travel Limited
179 Normanby Road
South Melbourne VIC 3205
Telephone: +61 3 9867 9600
Website: www.helloworldlimited.com.au

Legal adviser

MinterEllison
Level 20, Collins Arch
447 Collins Street
Melbourne, Australia

Helloworld Group Company Secretary

Sylvie Moser

Independent Expert

Grant Thornton Corporate Finance Pty Ltd
Level 17, 383 Kent Street
Sydney NSW 2000

Share registry

Automic Pty Ltd
Level 5, 126 Phillip Street
Sydney NSW 2000
Email: hello@automic.com.au
Telephone: 1300 288 664 (within Australia) or
+61 2 9698 5414 (outside Australia)
Website: www.automicgroup.com.au

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Proxy Voting Form

If you are attending the virtual Meeting please retain this Proxy Voting Form for online Securityholder registration.

Holder Number:

Your proxy voting instruction must be received by **10.00am (AEST) on Monday, 24 July 2023**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

STEP 1 – APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise, if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

Individual: Where the holding is in one name, the Shareholder must sign.

Joint holding: Where the holding is in more than one name, all Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

Lodging your Proxy Voting Form:

Online:

Use your computer or smartphone to appoint a proxy at <https://investor.automic.com.au/#/login>

or scan the QR code below using your smartphone

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.



BY MAIL:

Automic
GPO Box 5193
Sydney NSW 2001

IN PERSON:

Automic
Level 5, 126 Phillip Street
Sydney NSW 2000

BY EMAIL:

meetings@automicgroup.com.au

BY FACSIMILE:

+61 2 8583 3040

All enquiries to Automic:

WEBSITE: <https://automicgroup.com.au/>

PHONE: 1300 288 664 (Within Australia)
+61 2 9698 5414 (Overseas)

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STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

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You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

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By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

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or scan the QR code below using your smartphone

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.



BY MAIL:

Automic
GPO Box 5193
Sydney NSW 2001

IN PERSON:

Automic
Level 5, 126 Phillip Street
Sydney NSW 2000

BY EMAIL:

meetings@automicgroup.com.au

BY FACSIMILE:

+61 2 8583 3040

All enquiries to Automic:

WEBSITE: <https://automicgroup.com.au/>

PHONE: 1300 288 664 (Within Australia)
+61 2 9698 5414 (Overseas)

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STEP 1 – How to vote

APPOINT A PROXY:

I/We being a Shareholder entitled to attend and vote at the General Meeting of Helloworld Travel Limited, to be held virtually at 10.00am (AEST) on Wednesday, 26 July 2023 hereby:

Appoint the Chair of the Meeting (Chair) OR if you are not appointing the Chair of the Meeting as your proxy, please write in the box provided below the name of the person or body corporate you are appointing as your proxy or failing the person so named or, if no person is named, the Chair, or the Chair’s nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit and at any adjournment thereof.

[Grid for appointing a proxy]

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Unless indicated otherwise by ticking the “for,” “against” or “abstain” box you will be authorising the Chair to vote in accordance with the Chair’s voting intention.

VIRTUAL PARTICIPATION AT THE GM:

The company is pleased to provide shareholders with the opportunity to attend and participate in a virtual Meeting through an online meeting platform powered by Automic, where shareholders will be able to watch, listen, and vote online.

To access the virtual meeting:

- 1. Open your internet browser and go to investor.automic.com.au
2. Login with your username and password or click “register” if you haven’t already created an account. Shareholders are encouraged to create an account prior to the start of the meeting to ensure there is no delay in attending the virtual meeting

Further information on how to do this is set out in the Notice of Meeting. The Explanatory Notes that accompany and form part of the Notice of Meeting describe the various matters to be considered.



STEP 2 – Your voting direction

Resolutions

For Against Abstain

Approval of the Proposed Transaction as described in the Explanatory Memorandum

[Voting boxes for For, Against, Abstain]

STEP 3 – Signatures and contact details

Individual or Securityholder 1

Securityholder 2

Securityholder 3

[Signature box 1]

[Signature box 2]

[Signature box 3]

Sole Director and Sole Company Secretary

Director

Director / Company Secretary

Contact Name:

[Contact Name grid]

Email Address:

[Email Address grid]

Contact Daytime Telephone

[Contact Daytime Telephone grid]

Date (DD/MM/YY)

[Date grid]

By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).

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HLO

