

Good morning shareholders and guests.

When we talked about FY24 at our result announcement in August, we said we expected:

- Leisure and corporate sales growth as both sectors progressed towards full recovery, which was expected to be late next calendar year
- Stronger profit margin as revenue margin increased and cost margin decreased; and
- Better market dynamics for travellers as competition and capacity improved

Some two-and-a-half months on, these expectations remain relevant.

I'm pleased to report that we have started the year strongly with:

- \$6billion in first quarter (1Q) TTV – our second strongest start to a year and with corporate TTV again at record levels
- Continued margin improvement, leading to a very strong 1Q profit uplift; and
- Positive signs in relation to market dynamics, although there is certainly scope for further improvement in terms of competition, capacity and ultimately pricing

As Gary mentioned, we have also returned almost \$40million in fully franked dividends to shareholders and bought back a significant parcel of the 2027 convertible notes. These moves highlight confidence in both our current position and in our outlook as the industry continues to recover and then returns to a traditional growth trajectory.

While there will inevitably be short-term, cyclical challenges to overcome, the industry outlook is bright with IATA projecting 3.4% compound annual passenger growth globally through to 2040.

This morning, I will share some insights into our progress in – and prospects for – FY24, starting with an update on our 1Q progress.

FY24 1Q Results

1Q TTV increased about 20% – or more than \$900million compared to the same period last year – to \$6billion, just below the record circa \$6.2billion result we delivered four years ago.

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Revenue growth – at 38% – comfortably outpaced TTV growth, leading to a 160-basis point revenue margin improvement to 11.2%. This improvement across both the leisure and corporate businesses was driven by strategic initiatives relating to pricing, attachment of higher margin products, ancillary sales and improved supplier margins.

While revenue margin increased strongly, underlying cost margin (excluding touring cost of sales) was fairly flat, which led to healthy underlying 1Q profit margin and profit growth.

Our underlying PBT increased more than 500% to \$54million, at an underlying PBT margin of just under 1%, compared to a \$12.9million loss during the FY23 1Q. Underlying EBITDA more than tripled to \$102.3million, compared to \$33.1million during the FY23 1Q.

We again converted almost 40% of incremental revenue growth to underlying EBITDA, with leisure and corporate converting at 47% and 45% respectively during 1Q. We expect further improvements in corporate in particular as its productive operations initiative gains traction.

1Q corporate TTV exceeded \$3.1billion, another record, as we continued to outpace the broader sector's recovery, with activity across the industry globally reaching 72% of pre-COVID levels during the period (Based on MIDT data for 1Q FY23 as a % of 1Q FY19).

The organic growth that has fuelled our rapid recovery to date has continued with FCM securing new, contracted accounts with projected annual spends in the order of \$565million already this year, including good recent wins in North America, our largest corporate market, and the UK. In addition, Corporate Traveller has won uncontracted accounts with projected annual spends of \$315million, taking total wins to circa \$900million.

Tech investments are contributing to these wins, with our new digital platforms helping to differentiate our offerings, in addition to improving consultant and customer productivity.

Our leisure business again recovered well, building on solid momentum from late last year to deliver almost \$2.7billion in 1Q TTV, about 20% growth on the FY23 1Q.

All leisure categories were again profitable and the business overall has become more diverse with the independent, luxury and complementary pillars contributing 45% of TTV.

About 15% of 1Q leisure TTV was generated online, largely via flightcentre.com and the Jetmax and StudentUniverse businesses.

In Australia, flightcentre.com customers typically book low margin, point-to-point domestic flights. To improve margin and ultimately profitability within this channel, new products are being made available, including a hybrid Captain's Pack (costing \$10 for domestic flights and \$40 for international) and Flight Centre Holidays air and land packages.

Underlying 1Q leisure and corporate profit margins were circa 1.5% with several brands, including Corporate Traveller, Flight Centre Business Travel, Scott Dunn, Travel Associates and Ignite, plus the EMEA geographical segment, above the 2% target we are working towards as a group. As expected though, 1Q group profit margin was lower than leisure and corporate because of losses in our "Other" segment.

This segment includes unallocated head office expenses and businesses that sit outside our leisure and corporate segments, such as Topdeck, the Pedal Group cycle joint venture, loss-making US wholesaler GoGo and Dubai-based airfare aggregator TP Connects.

FY24 Guidance and Outlook

In terms of FY24 guidance, we currently expect underlying PBT between \$270million and \$310million. The mid-point – \$290million – represents almost 175% growth on FY23 and is broadly in line with current market consensus*.

Underlying EBITDA is expected to be between \$460million and \$500million, almost 60% growth on the \$302million FY23 underlying result at the midpoint (\$480million).

While profit and sales projections are difficult in a recovery phase, we are comfortable with the market's expectations at this relatively early stage and recognising our traditionally large 2H earnings skew, which is expected to increase this year and into the future because of Scott Dunn's very heavy 2H profit weighting. 2Q PBT will be less than the 1Q result, reflecting the traditional December holiday period bookings slowdown, ahead of the traditional uplift in the new calendar year, which drives our heavier 2H weighting.

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One of the biggest impediments to recovery so far has been lack of airline capacity and competition. The good news is that conditions are gradually improving, which is expected to benefit travellers as the year progresses, although we are still concerned about the lack of available seats on services between Australia and Europe, via the Middle East.

According to IATA, international capacity reached 90% of the comparative pre-COVID level (September 2019) in September 2023. Our data indicates 88% recovery in Australia at the end of last month, with further growth expected in the months ahead as several key partners ramp up services, including Singapore Airlines, Emirates, Qantas and Cathay Pacific.

In another positive development, eight China-based carriers have now resumed Australian services, along with Taiwan-based China Airlines and Hong Kong's Cathay. We welcome further additions and strongly support Turkish Airlines' and Qatar Airways' expansion plans, particularly in light of the challenges we are currently having in finding seats for customers.

As I alluded to earlier, we are starting to see some attractively priced travel deals which we are highlighting now in Flight Centre brand's Big Red Sale, our first global leisure marketing campaign since before the pandemic. You can see some of the deals on screen now.

We are, of course, keeping a close eye on macro-economic conditions and world events, particularly current hostility in the Middle East and the Ukraine.

While we continue to monitor developments in relation to these tragic events and hope for a speedy resolution, we do not currently expect significant ongoing impacts on our business. Historically, travellers have tended to adjust plans to bypass affected areas during times of unrest and overall travel volumes have not been materially impacted for prolonged periods.

Similarly, macro-economic conditions have not historically deterred large numbers of travellers from taking off overseas to make the most of their limited holiday time.

Despite recent interest rate hikes in some countries, travel demand remains fairly healthy, with industry volumes generally up on the prior year but below historic highs, as expected, given we are still 12 months or so away from the anticipated timeframe for full recovery. This

is reflected in the latest Australian Bureau of Statistics data (released yesterday), which shows that 1Q short-term resident outbound departures are up strongly year-on-year but remain about 9% below the same period in 2019.

We believe the ongoing demand that we are seeing reflects:

- Our leisure customer base's leverage to demographics that are less affected by mortgage stress, specifically the luxury sector and babyboomers; and
- A relatively widely-held customer view that travel is non-discretionary – a priority product they are prepared to budget for and invest in every year

Recent surveys paint a positive future picture, with the Global Business Travel Association finding about 70% of corporate travel buyers expect to increase or maintain their travel budgets in 2024 (Source: GBTA Business Travel Outlook Poll, October 30, 2023)..

Travel's resilience is further underlined by consistent year-on-year market growth pre-COVID. Downturns have been relatively rare, short-lived and, in some cases, they have been followed by sharp rebounds, as illustrated in the Australian examples on screen.

In 2009, widespread job uncertainty during the Global Financial Crisis led to short-term resident departure decreases from January to March, followed by modest increases over the next quarter and then a sharp rebound for the rest of the year, as illustrated on the left.

We saw similar trends in 2003, reflecting the combined impacts of the US invasion of Iraq and the SARS outbreak. After a turbulent 1H, travel stabilised before taking off late in the year and then by almost 30% throughout 2004, as you can see in the chart on the right.

Looking within our businesses, there are also clear opportunities for improvement.

In corporate, we plan to grow transaction volumes, which we are consistently doing, increase revenue per transaction and decrease costs per transaction. To achieve these objectives, CEO Chris Galanty and his team are deploying a global productivity initiative, headed by chief operating officer Melissa Elf and focussing on digitisation and streamlining processes and non-customer facing systems, to ensure we deliver the scale benefits we expect.

Leisure CEO James Kavanagh's priorities are global expansion of core offerings, investment in customers, leveraging assets and delivering scalable, profitable growth.

Within leisure, Ignite, which operates the highly successful MyCruise business, and Travel Money are currently among our best performers. Travel Money in particular is growing rapidly, generating higher than expected margins and bringing new products to market, including Click & Deliver and Click & Collect services, which are appealing to a younger customer base of 25-45-year-olds, compared to the brand's in-store average of 55 plus.

In our support ranks, we are also developing a Global Business Services (GBS) structure, headed by our CFO, Adam Campbell, to deliver more streamlined and efficient services. The recruitment of our global head of People & Culture, Lincoln Turvey, is a key investment in our people being our greatest asset and also our ability to more efficiently and effectively manage a global function of People & Culture's size and importance. Lincoln will work alongside Adam to drive the GBS model over the next year.

We will continue to focus on organic growth, as we are doing by reintroducing cruise brand Cruiseabout, expanding Travel Money and exporting brands to new geographies, but we will also consider M&A if opportunities arise that are aligned with our strategic objectives.

Scott Dunn is a good example of this alignment, as it fast-tracked our growth in an attractive and resilient sector, while delivering very solid returns. Since acquisition Scott Dunn has also established a broader platform for future growth by:

- Developing a US east coast presence within FLT's New York corporate hub; and
- Unlocking additional revenue synergies by wholesaling its products within FLT

2% Underlying PBT Margin Target for FY25

Looking further ahead, we continue to target a 2% underlying PBT margin for FY25. This aspirational target was set during the pandemic and it was last achieved in FY15, although there was subsequently a couple of near misses.

Returning to 2% a decade after we were last there will not be easy, but we see a clear path towards achieving our target through:

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- Further revenue margin improvement, a trend that we are now seeing; and
- Lower cost margins via ongoing cost discipline, further productivity enhancements, particularly in corporate, and benefits flowing from the GBS area's creation

While we are very focused on delivering a 2% margin, it is not a short-term target that we will chase down at all costs simply to ensure we achieve it in FY25 – our objective is to deliver a profit margin that is sustainable long-term as our business continues to grow and evolve.

What this means is that we will not sacrifice future prosperity by:

- Abandoning strategic investments like TP Connects, Cruiseabout and the CruiseHQ wholesale business that are currently starting up or scaling up; or
- Slowing growth in businesses that are profitable and large TTV generators but potentially dilutive to overall margins in FY25. Travel Money, our independent agent model and FCM currently fall into this category, with FCM generating almost one third of group 1Q TTV at a lower than normal profit margin while large volumes of new business are onboarded

Conclusion

In summary, we have started FY24 fairly well and have laid solid foundations for the full year and for the longer-term future, while also delivering tangible benefits to shareholders in the form of the recent dividend and the convertible note buy-back.

While the market overall is still in recovery mode and experiencing some macro-economic and political uncertainty, we are delivering solid year-on-year growth and see clear improvement opportunities in both the leisure and corporate sectors. We are well placed to capitalise given our diversity, balance sheet and strong brand and people networks, which continue to deliver compelling offerings to our customers.

Thank-you again for your support. I now invite Gary back.

*Consensus of \$295m underlying PBT based on current FY24 projections from the 17 sell-side analysts who cover FLT

This announcement has been authorised by Flight Centre Travel Group Limited's Board