FLIGHT CENTRE TRAVEL GROUP™

CEO's AGM Address (Including Trading Update and Profit Guidance) by Graham Turner

Thanks Gary.

Good morning shareholders and guests.

As you have just heard, we were reasonably happy with both our FY24 results and with the strategic execution across our leisure and corporate businesses, which helped drive healthy productivity and efficiency gains.

We also enhanced our already strong foundations to both prepare us for the future and to position us for growth in what we see as a normal market – growing at circa 4-5% annually – after five years of COVID-related disruption and then rapid year-on-year recovery.

Today, I'll talk about our company and why we are confident about our ability to capitalise on this ongoing growth, before updating you on our early FY25 trading and expectations.

As you will hear, we generally achieved solid ticket volume growth in an inconsistent trading cycle during the first quarter. Our challenge was translating these volumes into TTV growth given significant year-on-year airfare deflation, particularly in Australia and Asia.

We have, however, been heartened by a marked recovery in October across our key metrics of TTV, profit and profit margin, as our people and their businesses and brands focused on delivering value to cost-conscious consumers.

A diversified global travel business with strong foundations

Our foundations are strong.

We are a diversified travel business that delivers value to customers and suppliers across multiple segments, multiple brands, multiple channels and multiple geographies.

This diversity is a point of difference for our company and a key contributor to our proven growth record, which has seen us achieve 37 years of record TTV in our 42-year history.

Our corporate business has become our largest division in TTV terms and has delivered phenomenal growth through its ongoing Grow to Win strategy, which is based on retaining customers and securing large volumes of new accounts to win market-share.

Grow to Win supercharged the business's recovery to about 135% of its pre-COVID size by the end of FY24, without major acquisitions and well ahead of the overall industry's rebound, which was estimated to be circa 80% of pre-COVID activity at year-end.

We saw further volume growth during the first quarter – albeit more modest – on top of last year's record numbers and in a flat market globally, while we focussed on deploying the Productive Operations initiative.

Productive Operations operates in tandem with Grow To Win and is a major body of work that is set to deliver material productivity gains and customer benefits over the next 12 to 18 months.

This initiative is expected to fast-track profit growth in FCM in particular by reducing overall costs per transaction and delivering scale benefits through a series of projects focused on:

- Digitising and standardising our operations
- Enabling customer self service capabilities; and
- Enhancing content access and distribution

Our leisure business of today is materially different to the legacy business that we traditionally relied upon for growth.

We now have a trusted portfolio of brands that is significantly more productive, more efficient and more profitable, with:

- The flagship Flight Centre brand maintaining healthy market-share and its relevance to customers in its core Southern Hemisphere markets both on and offline; and
- Our luxury, specialist and independent businesses gaining scale, growing more rapidly – albeit off a much smaller base – and driving overall TTV growth

As you can see to the right of this slide, our luxury, specialist and independent businesses now capture almost half of our leisure TTV, compared to about one third five years ago.

We also capture 15-20% of our leisure TTV online, within the mass and specialist categories, and are now Australia's largest seller of airfares online among the intermediaries (Source: MIDT January-September 2024).

In both leisure and corporate, we are effectively expanding our addressable markets by introducing products and offerings that are delivering new revenue streams. Some of our more recent investments have been highlighted on this slide.

The leisure and corporate businesses operate alongside two other divisions, Supply and Global Business Services (or GBS).

Supply procures product and delivers it to our businesses and customers. Via our TP Connects business in Dubai, we also aggregate air content from the Global Distribution Systems, low-cost carriers and via airlines' NDC (New Distribution Capability) offerings.

GBS is a relatively new area that encompasses most support services, such as finance, technology, people & culture and privacy, security and risk, In time, it is expected to deliver significant benefits to our front-line teams including efficiency, cost reduction, service delivery and greater expertise.

As Gary alluded to earlier, our strong balance sheet and liquidity position underpin our foundations and mean we can invest in future growth drivers and/or move quickly to capitalise on opportunities. For example, given our current share price softness, we may choose to opportunistically reduce our outstanding Convertible Note balance.

Throughout our company, we remain very focussed on investing for the future, while also growing sales and profit year-on-year.

This long-term focus is evidenced by significant recent investments in:

- Productive Operations, which is expected to drive margin improvement and productivity gains
- The initiatives I highlighted earlier that are expanding our addressable markets and delivering new revenue streams
- Digital enhancements in both leisure and corporate to improve access to product ranges, particularly online, the overall customer experience and productivity; and
- Leisure businesses with strong growth potential in the luxury, independent and cruise categories

Our cruise sales in particular are growing strongly – up 31% in Australia last year – and we're now looking to fast-track our growth globally in this buoyant sector via the start-ups, investments and products listed on this slide.

This year, we will also invest about $100million in capex, with about $75million to be directed towards technology and systems.

In relation to network growth, we plan to open about 35 leisure shops, including some 18 Travel Money outlets. We are generally happy with the Flight Centre shop network's size, although there are some growth opportunities in the UK, in the Cruiseabout brand and by upstaffing stores ahead of our peak second half selling seasons.

Year-to-date results

We recently flagged that cyclical challenges had led to "patchy" first quarter trading compared to a reasonably strong and more consistent trading period in FY24.

Pleasingly, preliminary trading results point to a solid top and bottom-line rebound in October, after a reasonable July but relatively soft August and September.

This softness earlier in the year meant that first quarter TTV increased modestly to just under $6billion, with year-on-year growth adversely impacted by airfare price deflation and, to a lesser extent, business closures later in FY24 (Circa $50million first quarter TTV impact or just under 1%).

Underlying first quarter PBT increased 2% from $64.1million to $65.5million, with underlying PBT margin in line with the adjusted FY24 first quarter result of 1.1%.

By the end of October, underlying PBT margin was above comparative FY24 levels, following the solid improvement during the month.

Airfare deflation and the associated lack of TTV growth had a flow-on effect to our first quarter super over-ride accruals and ultimately our profit and profit margin for the period, given that the annual targets we are working towards are often based on TTV growth, rather than ticket growth.

As you can see here, average international fares that we sold in Australia during the first quarter decreased by 9%, compared to the same period last year. This is based on fares that we sold via the GDSs, so it does not include low-cost carrier sales or provide a full picture of the extent of the fare deflation.

We view cheaper fares as very positive and they are starting to stimulate sales, as evidenced by a 15% increase in international airfares sold in Australia during the first quarter

– a growth rate that was maintained in October. There is also opportunity to regain some of the lost ground in relation to first quarter super over-rides by delivering stronger leisure and corporate TTV growth in the months ahead.

Within our Flight Centre leisure shops, basket sizes have increased, and enquiry has generally remained healthy ahead of the year's busier booking periods. Conversion has, however, been slower during the traditionally quieter months early in the year, reflecting a cautious consumer at a time when cost of living pressures have curbed discretionary spending across most sectors.

Travel has typically out-performed these other sectors and has remained a growth industry – which has again underlined its resilience. It is, however, reasonable to assume that more people, particularly families and lower income earners, will travel when cost of living pressures ease and airfares become more affordable, which is what we are starting to see.

Leisure travellers who are taking off in the current cycle are typically looking for value, fuelling strong growth in the value-added packages offered by our Ignite business, both as product ranges sold through Flight Centre brand and directly via Ignite's specialist divisions.

Globally, corporate transaction volumes increased about 3% during the first quarter in a flat market globally. This volume growth was achieved with a leaner workforce – pointing to productivity gains – and was effectively driven by account wins.

FCM won contracted accounts with estimated annual spends of $350million during the four months to October 31, above the same period last year and with a solid pipeline of future targets.

Corporate Traveller, which we believe is the leading global, SME-only, travel management company, also continues to secure a large volume of wins. The total value of these SME wins is difficult to predict given Corporate Traveller clients are smaller, typically spending in the order of $US200,000 per year, are not bound by contracts and do not typically enforce strict policies to ensure all travel is booked through their preferred provider.

Group-wide, revenue margin increased from 11.2% during the first quarter of FY24 to 11.4%.

Revenue margin was adversely impacted by reduced super over-ride accruals during the period, which generally offset benefits gained from margin improvement initiatives like Flight

Centre brand's component strategy, which saw components per booking in-store increase to 2.8, compared to about 2.3 during FY23.

Underlying cost margin, excluding touring cost of sales, increased slightly but should improve as TTV recovers and as initiatives like Productive Operations and the GBS area's creation gain traction.

As I mentioned earlier, October trading improved with:

- TTV up 6% globally, taking the year-to-date growth rate above 1.5%
- Underlying PBT increasing circa 30% on a like-for-like basis for the month
- Underlying profit margin up about 30 basis points compared to October 2023; and
- Promising signs emerging within some of our larger corporate businesses, with the business overall achieving a record month in TTV and revenue terms, along with a strong uplift in Corporate Traveller transaction volumes

The Australian corporate business achieved its best monthly TTV and profit results since FY19, while the large US business recovered strongly in both TTV and profit terms.

FY25 outlook and market guidance

Looking ahead to the full year, we will target an underlying PBT between $365million and $405million.

The mid-point of $385million represents 20% growth on FY24 and, if achieved, will be a record, eclipsing the $384.7million underlying FY18 result.

It is also broadly in line with adjusted market consensus* for the year, based on the research notes published by sell-side analysts who cover FLT following our most recent market announcement.

As mentioned earlier, the broader travel industry is now expected to return to its normal growth trajectory, with the International Air Transport Association (IATA) forecasting 3.8% compound annual growth in passenger numbers globally between 2023 and 2043. The Asia-Pacific region is set to grow more rapidly – at a 5.3% compound annual growth rate**,

Through our established and emerging brands, we are well placed to capture more than our share of this growing market.

Earnings this year are again expected to be very heavily second half weighted because of our leisure and corporate sector booking seasonality.

This seasonality was very clearly illustrated last year, when we generated 66% of our underlying FY24 PBT during the second half.

While it is impossible to predict the FY25 split at this relatively early stage, various factors suggest a heavier second half profit weighting this year, including:

- Potential tailwinds as the year progresses from improved macro-economic conditions
- A more stable political climate following elections early in the year and if geopolitical tensions ease
- Further leisure and corporate volume growth driven by cheaper fares and fuelling accelerated TTV growth, as well as super over-ride recovery, as we cycle a lower fare environment, which we are now starting to do
- Growth in our luxury Scott Dunn business, which generates most of its profit during the six months to June 30
- A corporate earnings uplift as early Productive Operations benefits start to flow
- Growth in higher margin product sales, including tours. cruises and travel insurance, as our new leisure contract with Europ Assistance kicks in; and
- Reduced Other segment losses through cost reduction and stronger results from revenue-generating businesses

Looking within our business, we continue to focus on underlying profit margin improvement.

While we acknowledge we are now unlikely to achieve a 2% underlying PBT margin this year, our initial stretch timeframe, it remains a priority and a relevant medium-term objective.

Our primary short-term focus is on profit growth, while increasing TTV, which means we will not slow growth in profitable but lower margin businesses that continue to perform strongly in order to artificially achieve the 2% target.

Instead, our margin improvement efforts will again focus on the key drivers that have underpinned our solid progress so far and that are outlined on this slide.

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Conclusion

In summary, we believe we are again well placed to grow during FY25. While we have experienced some cyclical challenges early in the year, our fundamentals have not changed and we have set our sights on achieving healthy profit growth.

Our foundations are now stronger, given the investments we continue to make to create sustainable value for our stakeholders, and we are seeing some promising signs in October.

As we approach our busiest trading periods, we are ready to capitalise on opportunities that will inevitably arise given our:

- Proven ability to grow
- Diversified portfolio of brands with strong customer value propositions
- Strong strategic execution in both the corporate and leisure sectors, which is delivering an improved overall margin profile; and
- Balance sheet strength

Thank-you again for your support of our company. I will now handover to Gary.

ENDS

*FLT's view of underlying PBT consensus is based on research notes published by 16 sell-side analysts following the company's most recent market update (October 18). Three analysts who have not yet published updated models have been excluded from this consensus. Across all 19 analysts, consensus was circa $398million

**Source: IATA, Global Outlook for Air Transport, Deep Change, June 2024

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This address has been approved by the board of Flight Centre Travel Group Limited