FLIGHT CENTRE TRAVEL GROUP

STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE – August 13, 2020

FLIGHT CENTRE TRAVEL GROUP ACHIEVES CASH FLOW TARGET AS LIQUIDITY RUNWAY EXTENDS

Key Points

$1.9b cash balance at June 30, including circa $1.15b in liquidity:

- Successfully building a longer liquidity runway
- COVID-19 cash burn slowing – revenue above initial projections, costs at targeted levels

Short-term net operating cash outflow target surpassed:

- $53m net outflow in July – below the $65m monthly target and including $17m in revenue
- $43m outflow with net benefit of JobKeeper subsidy included

FLT's corporate business profitable during FY20 (underlying) and winning a record amount of new accounts – highlighting the business's resilience:

- New accounts with annual spends in order of $US1.3b secured by FCM alone during the year and momentum continuing during COVID-19 lockdown
- Signs of corporate recovery in most countries but slower leisure recovery likely, given most customers are still unable to travel

Underlying $475m-$525m FY20 loss expected ($825m-$875m statutory loss after one-off costs/write-downs):

- Circa $150m underlying PBT achieved to February 29
- Losses incurred from March after governments imposed heavy travel restrictions – sparking industry-wide downturn

THE Flight Centre Travel Group (FLT) has developed a longer liquidity runway to help it overcome the challenges posed by COVID-19 and the restrictions that have been imposed to slow the virus's spread.

The company, which has received or secured access to about $200million in additional funds during July and more than $1billion since April to protect it from a prolonged virus-related downturn, today confirmed that it had also surpassed its key target of a monthly net operating cash outflow of $65million by July 31.

A $53million net operating cash outflow was recorded in July – comfortably below the $65million target and reducing to $43million after the $10million per month net benefit flowing from the JobKeeper (JK) wage subsidy for retained employees in Australia.

FLT's outflow target was outlined in April when the company raised $900million, via a fully underwritten $700million capital raising and through a $200million debt facility increase, and was achieved through:

- A major cost reduction program, which saw monthly costs progressively lowered to less than a third of the circa $230million pre-COVID-19 level; and
- Stronger than initially anticipated sales, with FLT generating $17million in revenue in July. While this represented about 7% of the prior year result, the company had conservatively anticipated a zero-revenue scenario in its initial liquidity modelling

In addition to significantly slowing its cash outflow, FLT has also recently bolstered its liquidity position by selling its Melbourne head office, securing a government-backed United Kingdom loan and through its ongoing eligibility for the JK subsidy, which has now been extended for six months. As mentioned above and as outlined in greater detail later in this announcement, these recent developments should add $200million to FLT's liquidity runway.

Continued Revenue Generation – Predominantly Fuelled By FLT's Corporate Businesses

Since March 2020, governments globally have imposed heavy travel restrictions, including full border closures and lengthy isolation or quarantine requirements.

This has forced airlines and other suppliers to cancel services, hibernate their businesses or drastically scale back their operations, which has in turn led to an unprecedented volume of refunds and minimal forward bookings in the near-term. This short-term trend was reflected in leading GDS provider Sabre recording negative volumes globally during the 2020 fiscal year (FY20) fourth quarter, when cancellations exceeded new bookings across the industry.

Despite these heavy restrictions' ongoing impact, FLT achieved about $17million in gross revenue (excluding the $10million JK subsidy net benefit) in July, as total transaction value (TTV) exceeded $200million globally for the month and approached $100million in Australia.

To date, FLT's corporate travel businesses have predominantly fuelled the company's revenue generation during the COVID-19 lockdowns, given that essential services have generally been permitted to travel.

The corporate businesses, which were growing strongly and on track to deliver more than $10billion in annual TTV before restrictions were imposed, traded profitably (underlying) during FY20 and have established a solid platform for future growth by winning a record amount of new business during the year.

The FCM business alone secured new accounts with an annualised spend of $US1.3billion during FY20, with the majority of these wins coming during the second half (2H).

Within the leisure sector, revenue generation has generally been more subdued, given that heavier restrictions have typically been applied to discretionary leisure travel and given relatively low consumer confidence.

<u>Achieving Cost Reduction Targets</u>

In April, FLT outlined plans to remove $1.9billion from its annual cost base. As announced previously, these plans included:

- Lowering occupancy costs through rent reductions and shop rationalisation. This saw FLT retain about half of its leisure shops globally, including about 520 shops in Australia (60% of pre-COVID-19 network); and
- Global workforce reductions, About 70% of FLT's people have either been placed on government stand-down or furlough programs or their roles have become redundant, given that customers have effectively been prevented from travelling and with no visibility around timeframes for restrictions to be lifted

In making these and other changes, FLT initially expected to incur up to $210million in one-off expenses, plus an additional $155million in transitional costs as it worked to lower its net operating cash outflow to the desired level of $65million by July 31.

To date, the company has surpassed both targets, with about $110million in one-off expenses incurred, plus about $130million in transitional costs. A further $35million-$50million in one-off COVID-19-related costs that are not provided for in the FY20 accounts are expected during FY21.

While FLT has focussed on cost reduction, it has also continued to invest, where appropriate, in important initiatives and growth drivers.

In the corporate sector, the company has retained a strong network of business development managers and implementation teams to win and on-board new customers, while also developing new products for customers and enhancing its technology offerings. Within the leisure sector, FLT has retained additional people to process the large volume of refund and booking amendment requests that have been received.

To date, FLT has processed full or partial refunds totalling almost $500million in Australia-alone. The company is working to return money to customers as quickly as possible after airlines and other suppliers return that money to FLT.

Cash and Liquidity Runway

FLT had almost $1.9billion in cash at June 30, 2020 and liquidity of $1.15billion, after adjustments for net working capital, client creditors and the $200million in additional cash and funding that was pending at year-end but had not yet been secured.

This additional cash and funding included:

- The $62.15million sale of its Melbourne head office (settled in early July); and
- A GBP65million government-backed loan in the United Kingdom (secured July 1), which can potentially be increased

FLT will also now receive further subsidies for retained employees in Australia via the Federal Government's extended JK program. This six-month program was initially set to expire in September 2020 but it has been extended to March 2021 with some modifications, including a reduced subsidy.

At current staffing levels, the company expects to receive a net benefit of $40million to $50million in additional subsidies for retained employees through to the end of March under the modified JK 2.0 program.

FLT plans to extend its runway by lowering its cash outflow in the near-term through:

- Increasing revenue, as travel restrictions are lifted or travel bubbles are formed; and
- An ongoing, targeted cost focus, particularly in its leisure businesses

Given the debt and funding options that are available globally, FLT will also review its debt structure, which currently includes some short-term borrowings and a $350million cash covenant, to ensure it is appropriate for the medium to long-term.

FY20 Results

FLT will release audited FY20 accounts on August 27 and currently expects to report an underlying $475million to $525million loss before tax and a statutory FY20 loss before tax in the order of $825million to $875million (subject to finalisation of impairment reviews).

In addition to the items that were excluded from underlying 1H profit, FY20 one-offs will include the circa $110million COVID-related costs incurred to reduce monthly cash outflows, as well as costs arising from supplier failure, impairment charges and write-offs against goodwill, shop fixtures and software assets where those assets' carrying values are not supported by anticipated medium-term trading conditions.

These FY20 results will compare to the $343.1million underlying profit before tax (PBT) and $364.3million statutory PBT achieved during FY19.

FLT achieved an underlying PBT in the order of $150million during the eight months to February 29, 2020, before widespread travel restrictions were applied. Significant losses were then incurred from March to June, while the company worked to lower its cost base to the current level and processed tens of thousands of refunds worldwide for no revenue.

Underlying FY20 results are not adjusted to exclude the reversal of previously recognised revenue relating to travel that is no longer expected to take place. In Australia alone, circa $140million has been provided for or paid in the FY20 accounts in relation to this reversal.

Comments from Graham Turner, FLT managing director

"COVID-19 and, specifically, the government responses to it have clearly had devastating impacts on businesses worldwide and on the airline, travel, tourism and hospitality industries in particular. This has severely impacted us and our people and some very tough decisions have been made over the past four or five months.

"Despite ongoing restrictions, revenue has now started to increase, particularly in Europe, and we have surpassed our initial cash flow target, thereby extending our liquidity runway.

"We have also continued to win a record amount of new corporate accounts, while generating an underlying corporate profit during FY20.

"This highlights both our corporate business's resilience and its strong future growth prospects in this large, global travel sector which was estimated to be worth $US1.5trillion per year pre-COVID-19.

"There are, of course, further challenges to overcome, plus ongoing uncertainty around government COVID-19 objectives and the strategies they will adopt in the near-term to counter the virus's effects.

"It is critical that businesses across all sectors know these objectives and data lines for COVID-19 control and the lifting of restrictions – whether the end goal is community immunity, suppression, eradication or learning to live with this virus.

"Learning to live with the virus involves protecting the vulnerable, particularly the elderly, while ramping up testing, contact tracing and ultimately isolation so we don't overwhelm intensive care units. Adopting this approach, while continuing to take sensible health precautions, flattening the curve and getting society and business back to a reasonable level of normality must be priorities to reduce the already dire economic outcomes being experienced.

“Within the travel and tourism sectors, we need to know what COVID-19 conditions need to be present in each state, territory and at a national and international level for governments to ease restrictions, stop lockdowns and open borders. This will allow businesses to plan for the future, to prepare to restart their operations and to bring back thousands of our people who are currently on stand-down.”

ENDS: Media & investor enquiries to haydn_long@flightcentre.com, + 61 418 750 454

This announcement has been approved by the Board.