

14 December 2016

ASX Release

Corporate Travel Management announces acquisition of Redfern Travel, UK and Andrew Jones Travel, Australia, to be funded by a fully underwritten renounceable entitlement offer to raise \$71.085m, and updated EBITDA guidance to \$92m-97m.

Highlights:

Corporate Travel Management Limited (ASX code: CTD) (CTM) has entered into binding agreements to acquire all of the share capital of both of the following companies:

- **Redfern Travel**, a significant provider of travel services to both the government and corporate sectors in the UK, based in Bradford, northern England:
 - Initial consideration is GBP40.0m (AUD69.0m*), representing approximately 4.5x FY17 forecast EBITDA (twelve months ending March 2017), with consideration consisting of approximately 20% CTD stock and 80% cash.
 - Maximum total consideration is capped at GBP50.0m (AUD86.2m*), subject to achievement of profit hurdles, and represents an effective 4x FY18 forecast EBITDA multiple.
- **Andrew Jones Travel**, a major Tasmanian travel business servicing the corporate, government and sporting markets, based in Hobart:
 - Total consideration is \$5.625m, which represents approximately 4.5x FY16 EBITDA, with consideration being \$1.0m CTD stock and \$4.625m cash.

Collectively, the two acquisitions are expected to contribute approximately \$7.0m EBITDA for the five-month period February to June 2017, and approximately \$17.0m EBITDA on an annualised basis.

Guidance Update:

At the CTM AGM, Jamie Pherous, Managing Director, reiterated EBITDA guidance of \$85m-\$90m for the year ending 30 June 2017.

As a result of both performance to date and the projected impact of these acquisitions, CTM's updated FY17 underlying EBITDA guidance is \$92m-\$97m, representing 33%-41% growth on FY16 EBITDA, noting that:

- Redfern and AJT are expected to contribute approximately \$7.0m for the 5-month period (Feb17 - Jun17).
- On an annualised forecast basis, Redfern and AJT would contribute approximately \$17.0m EBITDA* to CTM.

Updated Guidance accounts for CTM's performance year to date and also assumes that:

- Client activity and FX remain steady at current levels.
- Acquisitions and integrations perform as forecast.
- There are no unforeseen major disruptions to the global business travel industry.

Acquisitions:

The Acquisitions will be fully funded by an underwritten 1 for 21 pro-rata renounceable entitlement offer for fully paid ordinary shares in CTM at an issue price of \$15.00 per share to raise approximately \$71.085m (before costs) (**Entitlement Offer**). In keeping with CTM's strong M&A discipline, both acquisitions:

- Possess a strong market reputation and are seen as market leaders in their local markets.
- Have excellent management teams that will own CTD stock.
- Have demonstrated high historical staff and client retention.
- Build scale, add geography and create or build upon segmented niches.
- Are highly EPS accretive.

About Redfern Travel:

- Redfern is a leading UK Travel Management Company (TMC), specialising in delivering on-line travel services, through a fully automated and integrated proprietary travel system, headquartered in Bradford, UK.
- Redfern's historical TTV growth is 13% CAGR over the last three years.
- Redfern's key competitive advantage is its proprietary, highly automated, end-to-end integrated system, which is Redfern's compelling asset, as it transacts over 95% of all transactions on-line, creating highly scalable revenue per employee.
- Redfern will bring a highly experienced management team into the CTM family, and they will own CTD stock.
- Redfern's business base is 100% corporate travel, with a high concentration in the UK government sector and low exposure to Brexit affected industries.
- Redfern's forecast TTV for the 12-month period ending March 2017 is approximately GBP310m, with expected EBITDA of GBP9.0m, based on 110 FTE staff.
- Website: www.redfern-travel.com.

Strategic Rationale for Redfern:

CTM considers Redfern to be a major strategic acquisition because it delivers the following key benefits to the CTM family:

- **Leverage UK/Europe scale:** The Redfern acquisition will create a business unit with consolidated annualised TTV of GBP500m-GBP550m, making CTM a top seven TMC in the UK, and enabling CTM to better leverage buying power and absorb overhead costs.
- **Improve automation and scalability of CTM Europe:** Redfern has proprietary, fully integrated, end-to-end, automated systems that allows Redfern to operate in a highly productive manner, particularly in the significant domestic rail travel sector. CTM can leverage this automated process across the rest of CTM Europe.
- **Accelerate market share growth through new client wins/retention in high volume on-line segment:** Redfern has over 95% of all bookings on-line, which gives CTM Europe greater opportunity to win more market share in the UK, and complements CTM's existing European solutions centre.
- **A specialised niche in Government sector:** Redfern has a major focus on UK government business, with 98% of its government client transactions processed on-line through its core platform, delivering a highly efficient, low cost solution, which complements CTM's already well established full service government offering in Europe.
- **Low exposure to typical Brexit affected industries:** Redfern has immaterial exposure to finance/property and construction clients, which may have greater exposure to any adverse Brexit impacts.
- **Highly accretive:** The Redfern acquisition price represents a 4.5x EBITDA multiple on forecast FY17 (12 months ending March 2017) earnings in GBP currency. UK corporate tax is currently 20% and is reducing to 17% by FY20.
- **Alignment:** Senior executives will own CTD stock.

About Andrew Jones Travel:

- Andrew Jones Travel (AJT) is recognised as the leading TMC in Tasmania, with over 30 years' experience in this market.
- AJT will bring its long standing leadership team into the CTM family, and the vendors will own CTD stock.
- The Tasmanian corporate market is particularly leveraged to expansion in key environmental industries including aquaculture, food and wine, that are now exporting into the expanding Asian markets.
- AJT also services three of the largest Australian Sporting Bodies and Tasmanian Government departments, which provides CTM with further leverage to grow into these important specialised market segments.
- AJT operates on the same core systems as CTM (reservations, on-line and back office), allowing for a relatively seamless integration and quick synergy opportunities.
- AJT's FY16 full year financials are TTV of \$43m and EBITDA of \$1.25m, based on 43 FTE staff.
- Website: www.ajtravel.com.au.

Strategic Rationale for Andrew Jones Travel:

CTM's motivation to acquire the Andrew Jones Travel (AJT) business is based on the following key elements:

- **Geographic coverage:** AJT is widely regarded as the best TMC in Tasmania with exposure to the growing industrial market focused on export orientated agribusinesses and will easily integrate into the current Australian CTM network, cementing CTM as the second largest TMC in Australia.
- **Government and Sporting Niche:** In addition to its high profile Tasmanian corporate clients, AJT manages travel for three of the six leading Australian sporting bodies, and Tasmanian Government Departments. CTM considers that it can leverage CTM's technology to expand further into these important travel segments.
- **Operating on the same systems:** AJT and CTM Australia use the same reservation systems, core on-line booking systems and back office systems. Integration is expected to be relatively seamless and synergies are expected to be realised quickly.
- **Highly Accretive:** The AJT acquisition price represents a 4.5x EBITDA multiple on FY16 results, with immediate synergies available to CTM.
- **Alignment:** Senior executives will own CTD stock.

Entitlement Offer

Under the Entitlement Offer, eligible shareholders will be able to subscribe for 1 fully paid ordinary share (**New Shares**) for every 21 CTM shares that they hold at 7.00pm (AEDT) on Monday, 19 December 2016 (**Record Date**) at the issue price of \$15.00 per New Share.

The issue price under the Entitlement Offer of \$15.00 represents a discount per share of:

- 6.4% to the theoretical ex-rights issue price (**TERP**)**;
- 9.9% to the 5 day Volume Weighted Average Price, and
- 12.5% to the 10 day Volume Weighted Average Price.

The Entitlement Offer is fully underwritten by Morgans Corporate Limited (Underwriter). Founder and Managing Director, Jamie Pherous, Global COO, Laura Ruffles, and Global CFO, Steve Fleming, will participate in the entitlement offer to the extent possible. All non-executive Directors of CTM eligible to participate intend to take up their full entitlements.

All entitlements under the Entitlement offer are renounceable and shareholders will be able to trade these rights on the ASX for three weeks during the Entitlement Offer period. The entitlements will be quoted on the ASX under the ticker code **CTDRB** during this trading period.

The Entitlement Offer will be made to all eligible shareholders, being all shareholders who have a registered address in Australia and New Zealand, as well as other shareholders outside of these jurisdictions to whom the Entitlement Offer can be made without a prospectus.

CTM will notify shareholders who are on the share register on the Record Date as to whether they are eligible to participate in the Entitlement Offer. Eligible Shareholders will receive an information booklet, including a personalised entitlement and acceptance form, which will provide further details of how to participate in the Entitlement Offer. A nominee has been appointed to sell the entitlements of Ineligible Shareholders and the proceeds of the sale of these entitlements will be remitted to these shareholders.

Approximately 4,739,023 New Shares will be issued as part of the Entitlement Offer. The New Shares will rank equally in all respects with existing shares of CTM.

Key dates***

Activity	Date
Announcement of the Entitlement Offer	14 December 2016
Investor Presentation and Information Booklet released to the ASX	14 December 2016
Despatch of letters to Shareholders regarding eligibility	15 December 2016
Entitlements trading commences	16 December 2016
Record Date for Entitlement Offer (7.00pm AEDT)	19 December 2016
Information Booklet and Entitlement and Acceptance Form despatched	22 December 2016
Entitlement Offer opens	22 December 2016
Entitlements trading ends (4.00pm AEDT)	10 January 2017
Closing date for acceptances under Entitlement Offer (5.00pm AEDT)	17 January 2017
Announcement of results of Entitlement Offer and under-subscriptions	20 January 2017
Allotment of New Shares issued under the Entitlement Offer	24 January 2017
Despatch of holding statements for New Shares issued under the Entitlement Offer	25 January 2017
Normal ASX trading for New Shares issued under the Entitlement Offer commences	25 January 2017

About CTM

CTM is an award-winning provider of innovative and cost effective travel management solutions to the corporate market. CTM's proven business strategy combines personalised service excellence with client facing technology solutions to deliver a return on investment to clients. Headquartered in Australia, the Company employs more than 2,200 FTE staff globally and services clients in 53 countries.

CTM Managing Director, Jamie Pherous, will be conducting a conference call at 9:30am (SYD) in regards to this announcement.

Guest Passcode: 811 499 3296.

Dial-In Details:

Australia, Brisbane: +61 (0) 7 3015 0535

Australia, Melbourne: +61 (0) 3 8687 0553

Australia, Sydney: +61 (0) 2 8017 6064

Australia (toll free): 1 800 804 786

All other International numbers click here [Dial-In Numbers](#)

Important information

This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States, or in any other jurisdiction in which such an offer would be illegal. The securities referred to in this document have not been and will not be registered under the United States Securities Act of 1933 (the 'US Securities Act'), or under the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States, unless the securities have been registered under the US Securities Act or an exemption from the registration requirements of the US Securities Act is available.

This document may not be distributed or released in the United States of America.

This announcement contains certain 'forward-looking statements' within the meaning of the securities laws of applicable jurisdictions. Forward-looking statements can generally be identified by the use of forward-looking words such as 'may,' 'should,' 'expect,' 'anticipate,' 'estimate,' 'scheduled' or 'continue' or the negative version of them or comparable terminology. Any forecasts or other forward looking statements contained in this announcement are subject to known and unknown risks and uncertainties and may involve significant elements of subjective judgment and assumptions as to future events which may or may not be correct. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and these differences may be material. CTM does not give any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur and you are cautioned not to place undue reliance on forward-looking statements.

* Based on FX rates of AUD1.00=GBP0.58p

** The theoretical ex-rights price of \$16.03 is calculated using CTM's closing price on 12 December 2016 assuming proceeds from the Entitlement Offer are \$71.085m. TERP is the theoretical price at which shares should trade immediately after the ex-date for the Entitlement Offer assuming 100% take-up of the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which shares trade immediately after the ex-date for the Offer will depend on many factors and may not be equal to the TERP.

*** All dates are indicative only and subject to change. CTM and the Underwriter reserve the right to withdraw or vary the timetable without notice.