

# Half Year Results 2017

## Corporate Travel Management

CTM is an award-winning provider of innovative and cost effective travel management solutions to the corporate market. Its 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 2,000 FTE staff globally and services clients in 53 countries.

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## Group Result Highlights

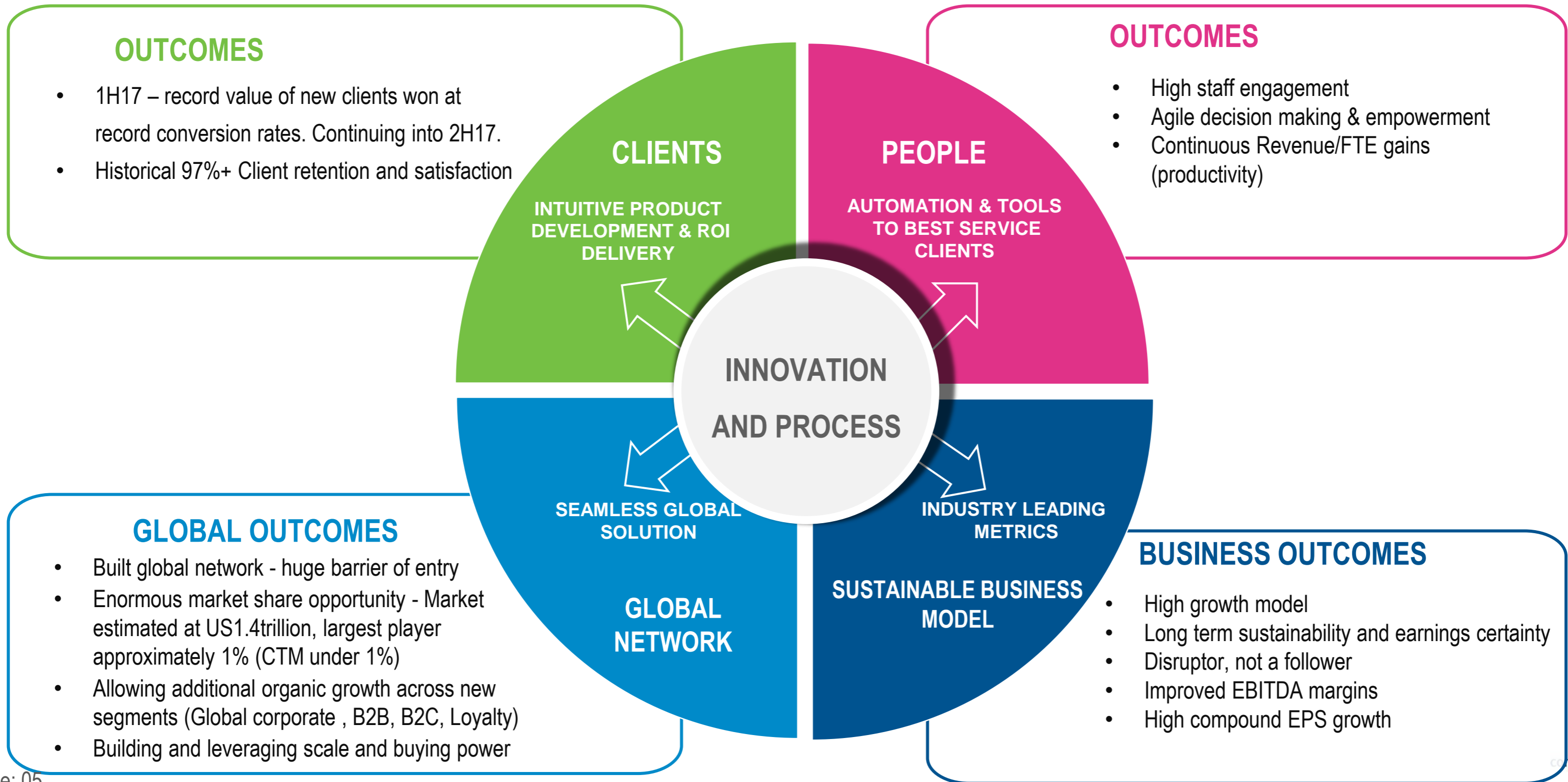
- **Underlying EBITDA up 45% to \$40.4m**, despite \$2.0m negative FX impact to profit. (Statutory EBITDA \$40.1m)
- **Strong organic growth underpins EBITDA performance.** Underlying organic growth 29% for the period excluding M&A
- **CTM SMART technology and global network** were key contributing factors to organic growth/client wins
- **CTM model continues to provide earnings certainty**  
Transactional volume growth, not ticket prices, is the driver of revenue and EBITDA growth
- **Excellent translation of revenue to EBITDA** due to benefits of CTM's growing scale and integrated automation
- **Over 100% operating cash flow** conversion
- **Trading at the top end of FY17 underlying EBITDA guidance, or \$97m** and well positioned for growth into FY18

<b>\$AUD (m)</b>	<b>HY2017</b>	<b>Change on P.C.P</b>
TTV (unaudited)	1,870.2	9%
Revenue and other income	150.5	26%
<b>Underlying EBITDA</b>	<b>40.4</b>	<b>45%</b>
<b>*Underlying NPAT (excluding acquisition amortisation)</b>	<b>27.3</b>	<b>55%</b>
<b>*Underlying EPS, cents basic</b>	<b>27.3</b>	<b>51%</b>
Statutory NPAT attributable to owners of CTD	22.1	28%
Statutory EPS, cents basic	22.1	24%
Half Year Dividend, fully franked	12c	33%
<ul style="list-style-type: none"> <li>• Net of non-cash amortisation relating to acquisition accounting \$4.9m (1HFY16 \$2.7m)</li> </ul>		

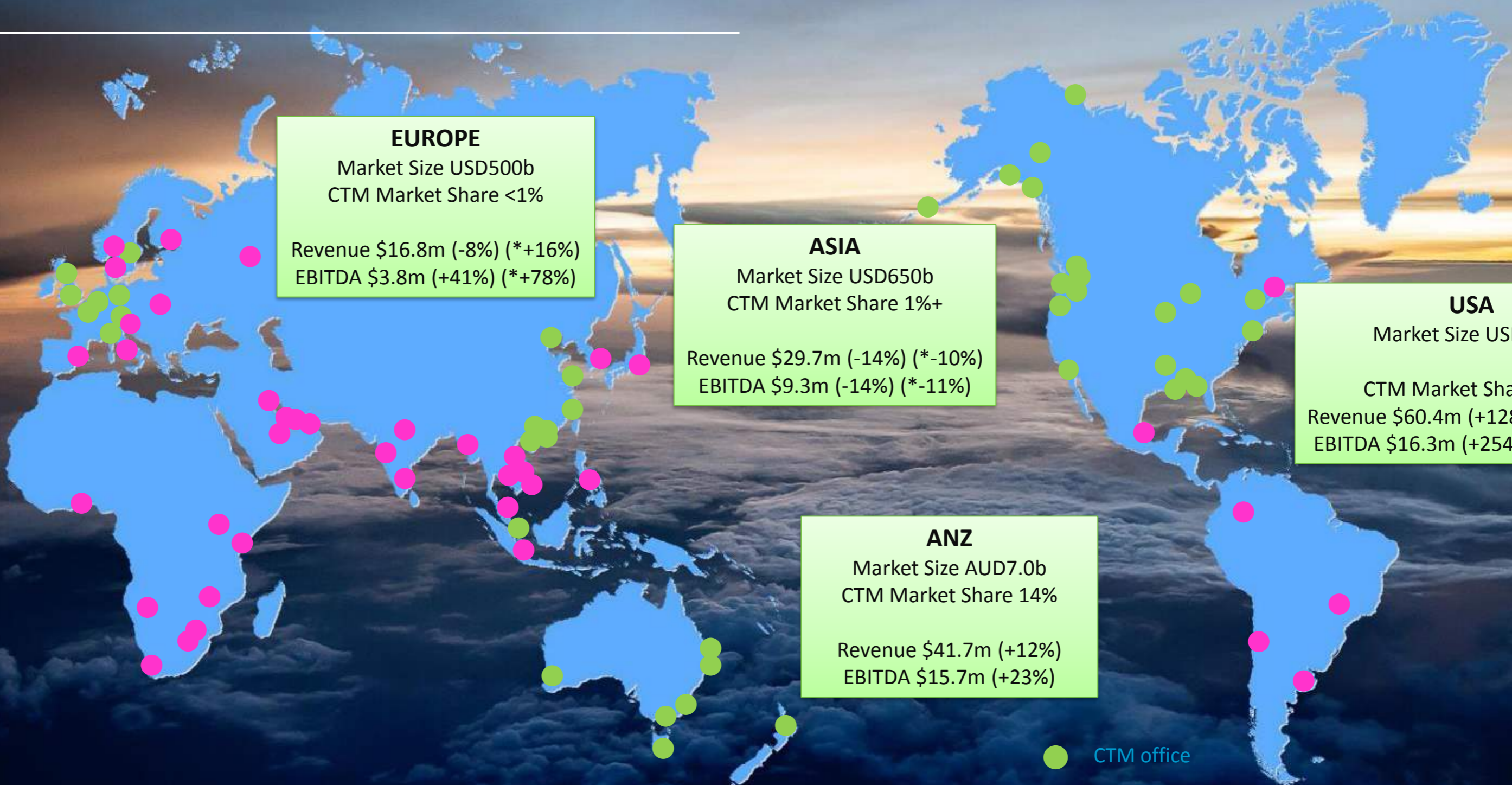
# Growth Profile



# Recap: How and why we grow - Innovation the Key



# CTM Global Footprint and Performance Overview



**EUROPE**  
Market Size USD500b  
CTM Market Share <1%

Revenue \$16.8m (-8%) (\*+16%)  
EBITDA \$3.8m (+41%) (\*+78%)

**ASIA**  
Market Size USD650b  
CTM Market Share 1%+

Revenue \$29.7m (-14%) (\*-10%)  
EBITDA \$9.3m (-14%) (\*-11%)

**USA**  
Market Size USD350b

CTM Market Share <1%

Revenue \$60.4m (+128%) (\*+140%)  
EBITDA \$16.3m (+254%) (\*+269%)

**ANZ**  
Market Size AUD7.0b  
CTM Market Share 14%

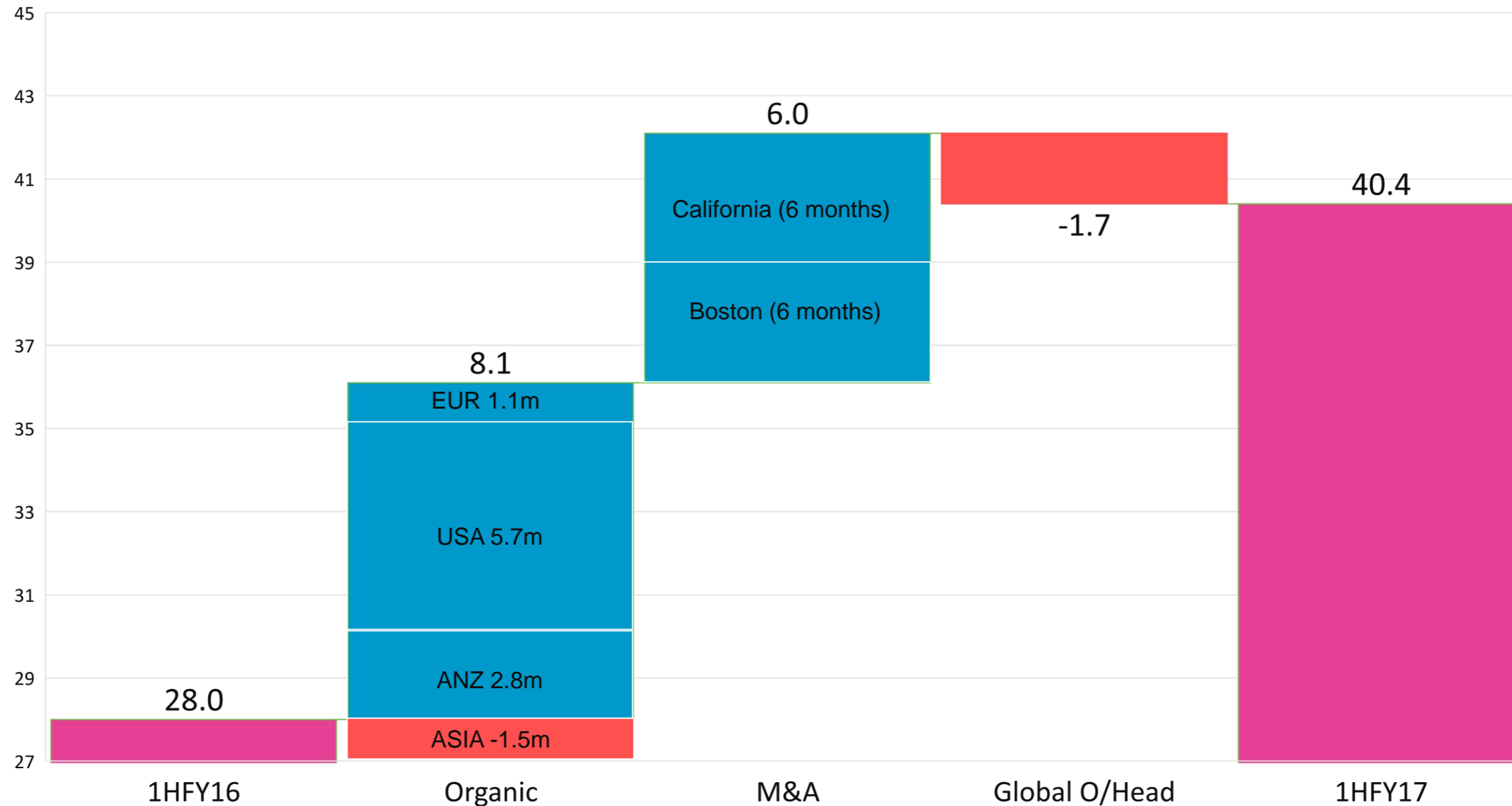
Revenue \$41.7m (+12%)  
EBITDA \$15.7m (+23%)

● CTM office  
● Partner office

Market size estimated at USD1.4 trillion, growing at USD40bn p.a.  
Operating out of 53 countries, employing over 2000 FTE

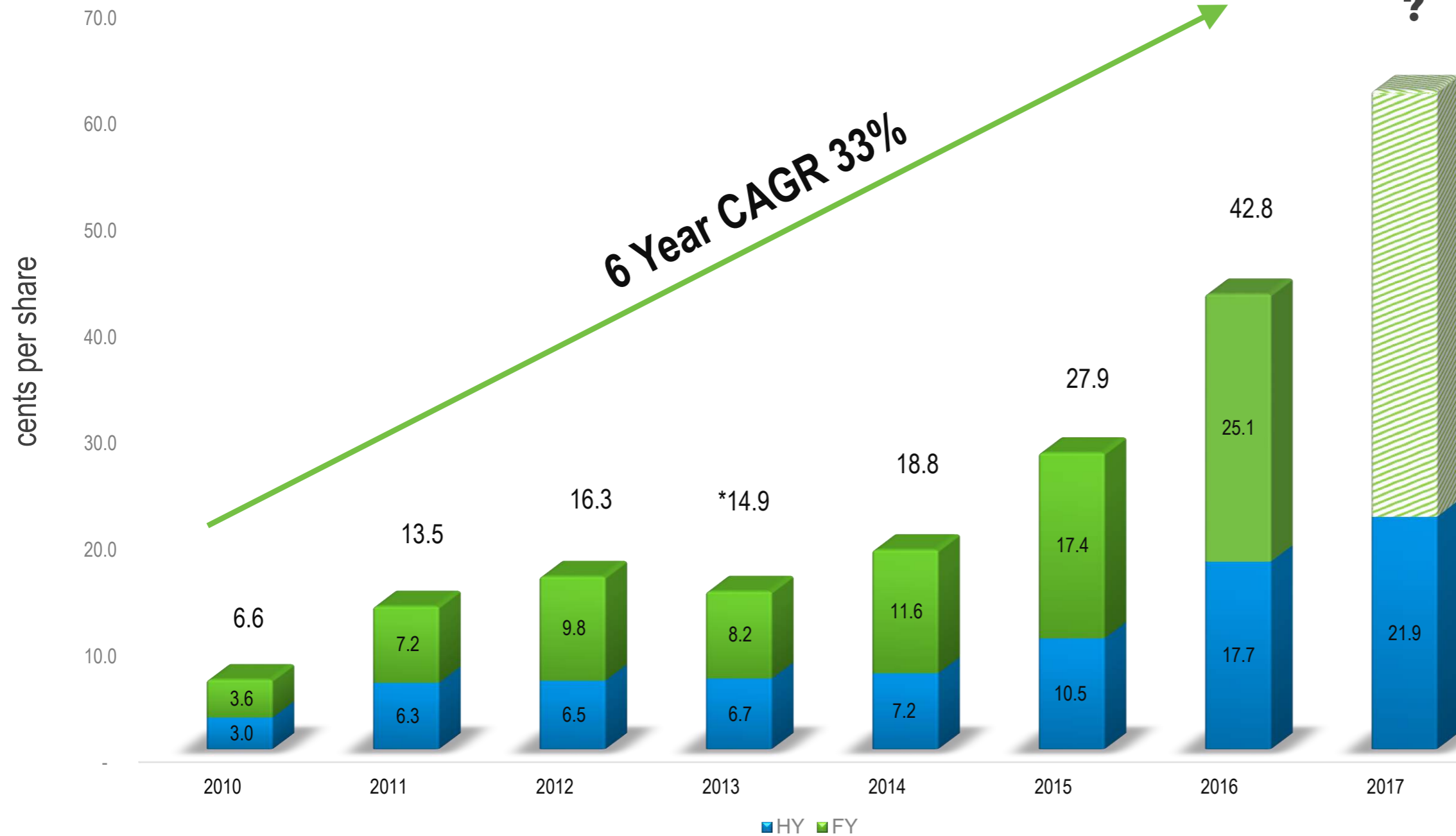
\* Represents constant currency comparisons

# Underlying 1HFY17 EBITDA Growth Summary (AUD\$m)



- Organic growth the catalyst for H1 performance (\$8.1m of \$12.4m), **representing +29% organic profit growth on 1H16 baseline in constant currency**
- The performance achieved is despite FX having a negative \$2.0m effect on EBITDA in 1H17
- Proven M&A methodology translating into successful integration and contributions
- Global overhead increase a reflection of building a highly competent global team that is sized for future expansion

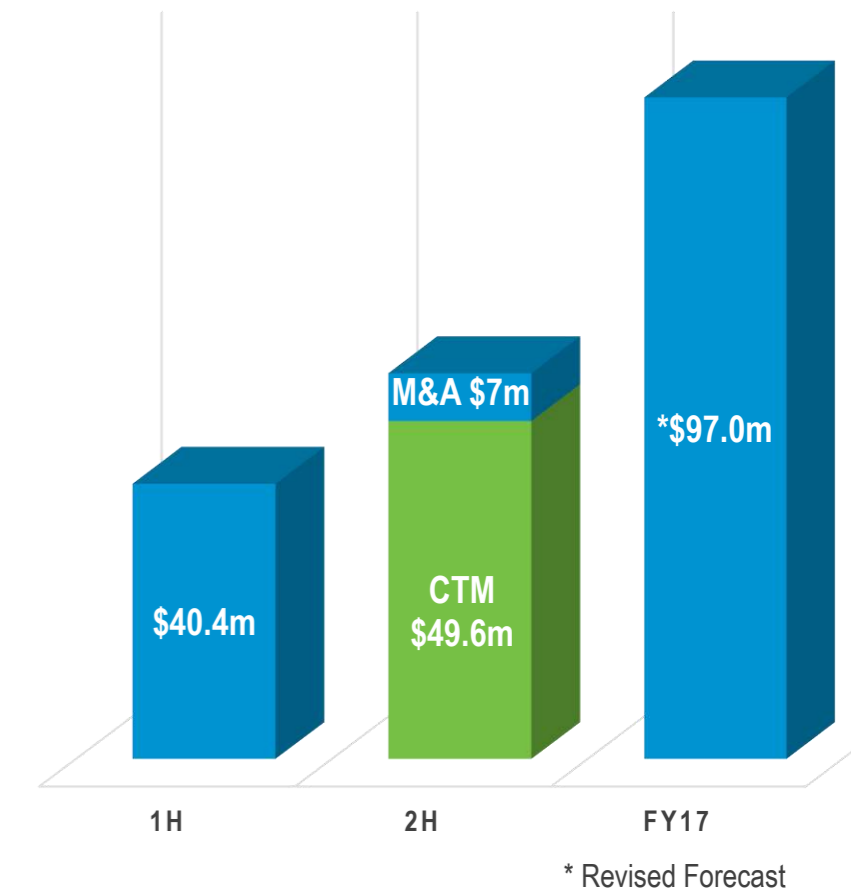
# Statutory EPS Growth Since IPO December 2010



The above numbers reflect diluted EPS growth.

\*Restated downwards for voluntary change in accounting policy on recognition of pay direct commissions

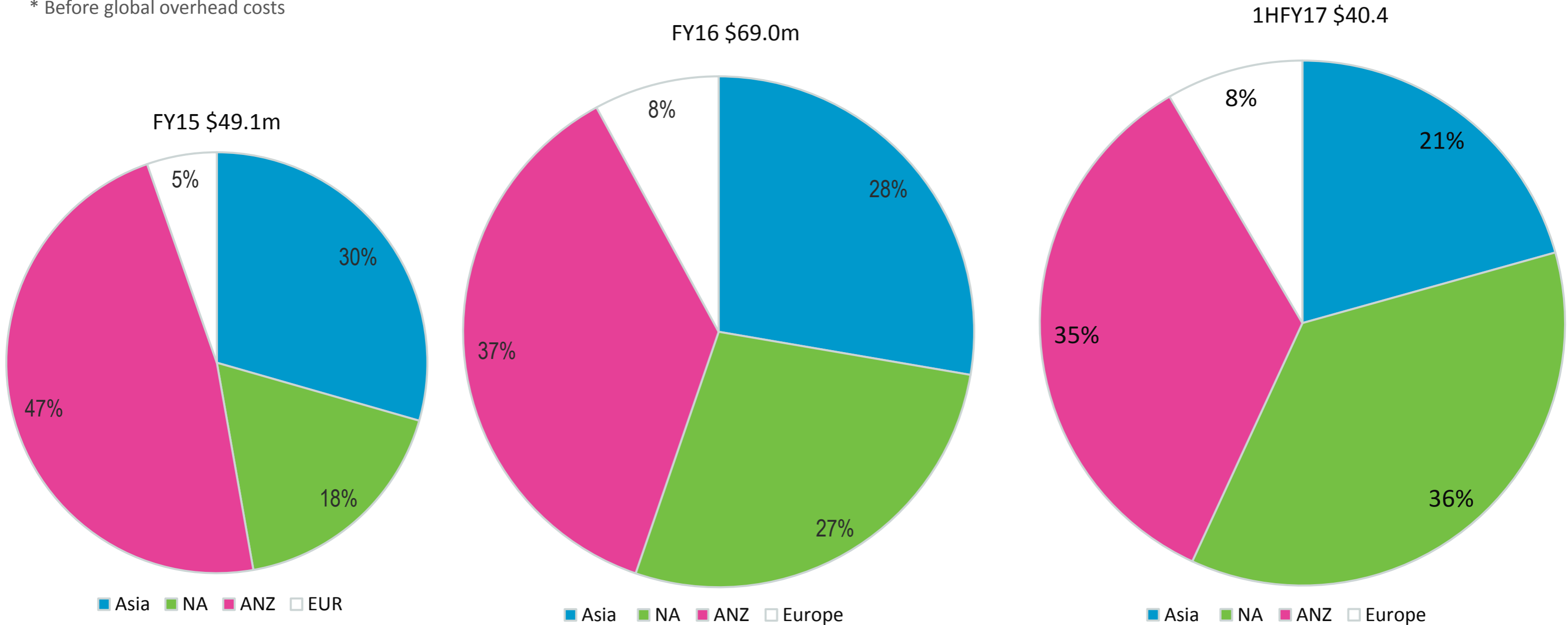
## FY17 PROFIT GROWTH BUILD (CTM HAS HISTORIC 2H PROFIT SKEW)





# EBITDA Contribution by Region\*

\* Before global overhead costs



- Building a diversified global business, with North America now our largest profit contributor
- Europe expected to be significantly larger market share of the group in 2H17 and FY18

# Award Winning



**CTM ASIA**  
Best Travel Agency – Hong Kong' 2016 (7<sup>th</sup> win in 9 years)



**CTM Europe**  
Best Travel Management Company (£50m to £200m annual UK sales) 2017



**CTM North America**  
Loyalty Travel Innovations Travel Agent Organizations - Overall - Travel Agent Innovation



**CTM North America**  
Allure Travel By CTM  
North America's Leading Travel Agency  
Winner 2016



**CTM ANZ**  
Best National Travel Management Company  
10 Times Winner



**CTM ANZ**  
Andrew Jones Travel  
'Top Seller Tasmania'  
2016



**CTM Group**  
BRW Innovative Companies List 2016



**ETM ANZ**  
AFTA  
Best Business Events Agency  
Winner 5 years



**ETM ANZ**  
Best Mobile Attendee APP  
Centium Client Innovation Awards

# P&L by Region



## North America

**Underlying EBITDA up 254% on the p.c.p, organic EBITDA growth 54%.**

- Excellent 1H given currency depreciation and US election effect on economic activity
- Building a highly competent management team that is executing on all fronts; winning market share, productivity, scale, M&A execution, integration and Loyalty growth
- The Travizon (Boston) acquisition has been an important geography, for winning both East Coast US and Global business during the half

### 2HFY17 Outlook:

- Continued client wins expected to translate into a strong year
- Expect seasonal profit skew to 2H
- US corporate sentiment is strongly correlated to client activity

### Organic Growth breakdown:

1H16 EBITDA	4.6m
Add M&A (6 months - California and Boston)	6.0m
1H16 Revise Baseline	10.6m
Organic growth	5.7m (+54%)
1H17 EBITDA	16.3m

\$AUD (m)	North America		
	1H2017	1H2016	% Change
TTV (unaudited)	619.1m	327.9m	89%
Revenue	60.4m	26.4m	128%
Yield % of TTV	9.7%	8.0%	
Underlying EBITDA	16.3m	4.6m	254%
% of Revenue	26.9%	17.4%	

# ANZ

## Underlying EBITDA up 23% on the p.c.p.:

- Despite 6% decline in average ticket prices, market share gains and underlying transactional growth translated into strong performance
- Winning new business because of a highly evolved value proposition, technology suite and global network
- EBITDA margin expansion due to seamless end-to-end automation and integration between CTM staff and clients. 80% of transactions on-line.
- ANZ is a highly optimised business and the internal CTM benchmark for performance
- Remain highly leveraged to economic recovery

## 2HFY17 Outlook:

- Record new client wins continuing into 2H, providing strong FY18 momentum
- Expect seasonal profit skew to 2H
- AJT acquisition contribution in 2H, not expected to be material

	\$AUD (m)		ANZ	
	1H17	1H16	% Change	
TTV (unaudited)	449.6m	417.4m	8%	
Revenue	41.7m	37.2m	12%	
Yield % of TTV	9.3%	8.9%		
Underlying EBITDA	15.7m	12.8m	23%	
% of Revenue	37.6%	34.4%		

## Asia

**Underlying EBITDA down 14% on the p.c.p.**, and including gain on business disposal and constant currency, EBITDA is flat on the p.c.p..

- Chinese oversupply drove Asian ticket prices down approximately 16%, which had a direct negative impact on supplier revenues in our wholesale business segment
- Underlying business performed well, with transactions up approximately 10% (refer next slide)
- Automation led to sound profit outcome in a challenging half
- Took the opportunity to sell and close non-core legacy businesses to focus on strategic areas of corporate, B2B, B2C, utilising technology solutions
- \$0.9m gain on disposal on package business is excluded from underlying EBITDA

### 2HFY17 Outlook:

- Worst of China ticket deflation behind us. Key supplier contracts reset Jan17
- Asia has slight profit skew to 1H

	\$AUD (m)		
	1H2017	1H2016	% Change
TTV (unaudited)	638.6m	814.3m	(22%)
Revenue	29.7m	34.6m	(14%)
Yield % of TTV	4.7%	4.2%	
Underlying EBITDA	9.3m	10.8m	(14%)
% of Revenue	31.3%	31.2%	

## Asia – Underlying TTV effect \$AUDm

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1H16 TTV	814.3m
Less: ticket price deflation	(128.6m)
FX AUD/HKD deflation	(40.4m)
Closing of leisure “bricks and mortar” business	(48.0m)*
Sale of package business (2 months)	(19.0m)*
<b>Subtotal</b>	<b>(236.0m)</b>
Normalised TTV baseline 1H16	578.3m
Underlying business growth for 1H17	(+10.4%) 60.3m
<b>1H17 TTV</b>	<b>638.6m</b>

\*During the period, CTM closed down its legacy “bricks and mortar” leisure business and sold its stake in its HKG based package business to focus on core areas of corporate, B2B, B2C, utilising technology solutions

- The profit contribution from both businesses to the Asian result above was negligible

## UK/Europe

**Underlying EBITDA up 41%** despite significant GBP/AUD depreciation, and on a constant currency basis, revenue up 16%, EBITDA up 78%

- Excellent EBITDA margin improvement is a function of internal automation
- Acquired Redfern Travel 1<sup>st</sup> February, 2017, which will add 5 month contribution in 2H. Redfern made no contribution in 1HFY17
- Redfern brings scale, excellent cultural fit, with management teams already working closely together to maximise opportunities

### 2HFY17 Outlook:

- Record wins and strong pipeline expected to translate into strong year
- Expect seasonal skew to 2H
- Key Redfern clients see the additional benefits that can be delivered as one company
- Bradford, UK will be a key centre for operational growth
- CTM expected to be 6th biggest TMC in the U.K. on a pro-forma basis, and a strategically important geography for CTM moving forward

\$AUD (m)	Europe		
	1H2017	1H2016	% Change
TTV (unaudited)	162.9m	163.2m	(0.0%)
Revenue	16.8m	18.2m	(8%)
Yield % of TTV	10.3%	11.1%	
Underlying EBITDA	3.8m	2.7m	41%
% of Revenue	22.6%	14.8%	



# Group Financial Performance



## Comparative Statutory Profit and Loss

- Record organic growth and new client conversion rates across the Group
- Increased EBITDA margin resulting from integration execution, automation and group buying power
- Increased amortisation due to impact of M&A activity. Of the total amortisation of \$5.9m, \$4.9m relates to client intangibles as part of acquisition accounting process
- Increased finance costs as a result of M&A funding by short term debt (principally the Montrose acquisition)
- Effective tax rate of 25.4%, and expecting effective tax rate of circa 25-26% moving forward
- EBITDA negatively impacted by circa \$2.0m foreign exchange on a constant currency basis with the prior year

\$AUD (m)	1H2017	% Change	1H2016
TTV (unaudited)	1,870.2	9%	1,722.7
Revenue and Other Income	150.5	26%	119.7
Operating Expenses	(110.4)		(89.3)
<b>EBITDA - statutory</b>	<b>40.1</b>	<b>32%</b>	<b>30.4</b>
Depreciation	(1.0)		(1.7)
<b>Amortisation</b>	<b>(5.9)</b>		<b>(3.2)</b>
EBIT	33.2	30%	25.5
Finance Costs	(1.3)		(0.7)
NPBT	31.9	29%	24.8
Tax	(8.1)		(5.6)
Statutory NPAT	23.8		19.2
Statutory NPAT – attributable to owners of CTD	22.1	28%	17.3
One off acquisition related items (tax effect)	0.3		(2.4)
Underlying NPAT – attributable to owners of CTD	22.4		14.9
<b>Underlying NPAT- attributable to owners of CTD (excluding acquisition amortization)</b>	<b>27.3m</b>	<b>55%</b>	<b>17.6m</b>
<b>Client Intangibles Amortisation</b>	<b>4.9m</b>	<b>81%</b>	<b>2.7m</b>



## Group Balance Sheet

- Receivables have declined largely due to seasonality of business operations (Christmas is a lower trading period)
- Intangibles increase is largely goodwill on Travizon USA acquisition
- The reported net current liability position is distorted by \$71.6m of deferred consideration on acquisitions, which assumes full earn outs are achieved. After adjusting for deferred consideration, there are net current assets of \$48.7m
- CTM renegotiated banking facilities in January 2017.
- Earn outs will be funded by a mix of working capital and short term debt
- Post reporting date, CTM successfully raised \$71.1m via a rights issue to fund the Redfern and AJT acquisitions

\$AUD (m)	DEC 2016	June 2016
Cash	96.7	81.2
Receivables and other	148.9	173.0
<b>Total current assets</b>	<b>245.6</b>	<b>254.2</b>
PP&E	4.6	5.4
Intangibles	361.3	308.1
Other	2.4	2.4
<b>Total assets</b>	<b>613.9</b>	<b>570.1</b>
Payables	153.8	163.5
Acquisition related payables	71.6	39.2
Other current liabilities	43.1	34.6
<b>Total current liabilities</b>	<b>268.5</b>	<b>237.3</b>
Non current liabilities	45.1	61.2
<b>Total liabilities</b>	<b>313.6</b>	<b>298.5</b>
<b>Net assets</b>	<b>300.3</b>	<b>271.6</b>

## Key Financial Commitments – M&A (AUD)

AUD \$m	2H17	1H18	2H18	1H19	2H19	1H20	Total
UK/Europe		13.0m		12.6m			25.6m
California	36.0m						36.0m
Boston		19.7m					19.7m
Redfern	65.6m	8.2m				8.2m	82.0m
Andrew Jones Travel	5.6m						5.6m
<b>TOTAL</b>	<b>107.2m</b>	<b>40.9m</b>		<b>12.6m</b>		<b>8.2m</b>	<b>168.9m</b>
Less: Capital raise	(71.1m)						(71.1m)
Stock	14.1m	6.5m		6.3m			26.9m
<b>Maximum cash payable</b>	<b>22.0m</b>	<b>34.4m</b>		<b>6.3m</b>		<b>8.2m</b>	<b>70.9m</b>

Chart represents maximum amount payable should full earn-out be achieved. XR AUD1.0= USD0.76, GBP0.61

- Redfern and AJT initial cash consideration of 57.1m paid on 1 February, 2017, funded through a capital raising of \$71.1m during January 2017
- Expectation that future earn-outs funded from cash flow/ short term US denominated debt. Maximum additional AUD70.9m cash payable through FY20

## Operating Cash Conversion

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Cash flows from operating activities	\$42.4m
Add back: tax and interest	\$11.6m
<b>Total operating cash conversion</b>	<b>\$54.0m</b>
1HFY17 Statutory EBITDA	\$40.1m
Actual operating cash Conversion %	135%
Less: BSP and other timing differences	(\$12.1m)
<b>Pro-forma Conversion % allowing for BSP timing differences</b>	<b>104%*</b>

\*Timing of BSP payments have largest impact on operating cash flow. These timing differences are short term (1-7 days)

It is our on-going expectation that CTM will achieve 100% operating cash conversion over the long term

## Cash Flow Summary

- **Strong operating cash flow conversion over 100%**
- Timing of BSP payments has largest impact on operating cash flow. These timing differences are short term (1-7 days)
- Investing cash flows relate to US M&A
- Short term borrowings used to fund Montrose acquisition
- Travizon acquisition 1 July 2016 funded entirely through working capital
- FY17 Capex investment predominantly increase in technology expenditure to capitalise on global technology suite opportunities

\$AUD (m)	6mth FY17	6mth FY16
Statutory EBITDA	40.1	30.4
Non cash items	(0.2)	
<b>Change in working capital</b>	<b>14.1</b>	20.4
Income tax paid	(11.0)	(7.8)
Interest	(0.6)	(0.2)
<b>Cash flows from operating activities</b>	<b>42.4</b>	42.8
Capital expenditure	(4.8)	(3.7)
Other investing cash flows	(12.1)	(13.8)
<b>Cash flow from investing activities</b>	<b>(16.9)</b>	(17.5)
Dividends paid	(17.8)	(12.1)
Net (repayment)/drawing of borrowings	7.4	-
<b>Cash flow from financing activities</b>	<b>(10.4)</b>	(12.1)
FX Movements on cash balances	0.4	0.4
Net increase/(decrease) in cash	15.5	13.6

# Acquisitions effective 1 February 2017



## The Two Acquisitions- effective 1 February 2017

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The two acquisitions are expected to contribute \$7m of EBITDA for the 5 months to 30 June 2017 and \*\$16m on an annualised basis.

### Redfern Travel, UK:

- Redfern is a significant provider of travel services to both the government and corporate sectors, based in Bradford, northern England
- Initial consideration is GBP40.0m (AUD65.6m\*) 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 (AUD82m\*), subject to achievement of profit hurdles, and represents an effective 4x FY18 forecast EBITDA multiple

### Andrew Jones Travel, Tasmania:

- Andrew Jones Travel is a major Tasmanian travel business servicing the corporate, government and sporting markets, based in Hobart
- Total consideration is \$5.625m, which represents approximately a 4.5x FY16 EBITDA, with consideration being \$1.0m CTD stock and \$4.625m cash

\* Exchange rates AUD1.00= GBP 0.61p.



# CTM SMART Technology



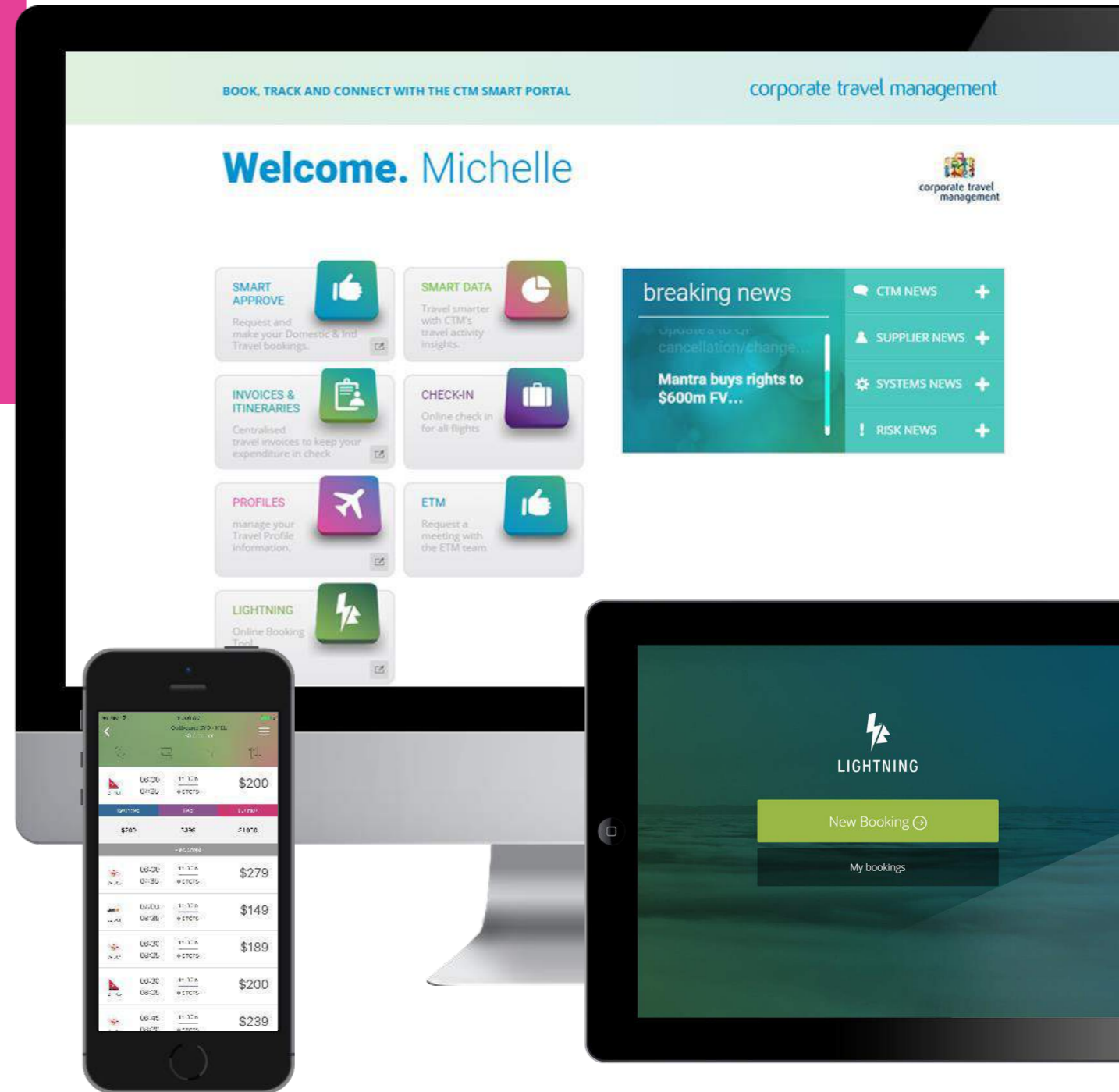
# CTM SMART Technology Framework

## World Class release process:

- Release cycle every 2 weeks
- Developing with and for our clients
- Focus on speed and usability across all devices
- Agnostic approach
- Significant development releases expected in CY17

in all CTM regions with “Industry Firsts”.

- SMART technology available to clients globally
- Over 50,000 CTM alerts
- Over 40,000 Ride Share opportunities identified



“CTM offers us not only the flexibility and professionalism in account management, but also the reporting capabilities, online functionality and geographic coverage required to best meet the travel needs of our group across all of our locations.”

- Wesfarmers



“CTM Mobile has changed my booking experience in an extremely positive way. The speed and functionality of CTM Mobile is the same as our own OBT, making the switch perfectly seamless... I love the look and feel of CTM Mobile and would highly recommend it to all travellers and travel arrangers.”

- Hastings Deering

## Rolling out progressively through CY17

### Accessible Anywhere, Anytime

- Reporting data (locally and globally), available from wherever you are in the world, 24/7, from any device

### Real-time Data Insights

- Better understanding of the performance of client's travel program by analyzing past, present and future travel behavior and outcomes
- Interactive reporting environment

### Fast and Functional Analytics

- Highly scalable and reliable global analytics platform

Fully embedded with CTM SMART technology



# FY17 Guidance



## FY17 Guidance Update

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### Trading and Guidance Update:

- CTM's original guidance was underlying EBITDA of \$85-92m. Post Redfern and AJT acquisitions effective 1 February 2017, underlying EBITDA guidance was adjusted up \$7m to be in the range of \$92-\$97m, to account for the 5 month acquisition contribution to 2HFY17
- CTM continues to win market share at an accelerating rate into 2HFY17
- Expecting strong 2H and good momentum into FY18
- **CTM advises it is trading at the top end of its underlying EBITDA guidance, or \$97.0m for FY17, (+40.6% on the p.c.p.),**

### Assumptions on revised guidance :

- AUD does not materially strengthen further against USD, GBP
- Smooth transition of the new acquisitions in Europe and ANZ regions

Any future M&A will be in addition to the above guidance

**corporate travel management.**

[travelctm.com](http://travelctm.com)

