



**CORPORATE TRAVEL MANAGEMENT**

# **Full year results 30 June 2018.**

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# Overview

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 approximately 2,350 FTE staff globally and the CTM network provides localised service solutions to clients in more than 70 countries globally.



# Group Result Highlights

- **Underlying EBITDA up 27% to \$125.4m.** On a constant currency basis, underlying EBITDA up 28% to **\$126.4m<sup>a</sup>**
- **Strong organic growth underpins EBITDA performance.** Client wins and retentions are at historically high levels
- **Excellent translation of revenue to EBITDA** due to benefits of CTM's growing scale, technology and automation
- **Continued strong operating cash flow** conversion
- **Full year dividend** up 20% to 36c, with a final dividend of 21c (50% franked), payable 4 October 2018
- **FY19 Underlying EBITDA guidance range of \$144-\$150m (approximately +15 to 20% on p.c.p.)**

<sup>a</sup>Constant currency reflects June 2017 as previously reported. June 2018 represents local currency converted at average foreign currency rates for the year ended 30 June 2017.

Reported (\$AUDm)	FY2018	Change on P.C.P
TTV (unaudited)	4,958.3	19%
Revenue and other income	372.2	14%
<b>Underlying EBITDA#</b>	<b>125.4</b>	<b>27%</b>
<b>Statutory NPAT attributable to owners of CTD</b>	<b>76.7</b>	<b>41%</b>
<b>*Underlying NPAT (excluding acquisition amortisation)</b>	<b>86.0</b>	<b>34%</b>
Statutory EPS, cents basic	72.4	35%
*Underlying EPS, cents basic (excluding acquisition amortisation)	81.1	29%
Full Year Dividend	36 cents	20%

\*Net of non-cash amortisation (tax effect) relating to acquisition accounting \$8.6m (FY17 \$8.3m) and post-tax acquisition costs of \$0.7m (FY17 \$1.4m)

# Net of pre-tax one-off acquisition and non recurring costs of \$0.9m (FY17 \$2.5m)



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**Growth profile.**

# The CTM Story from the beginning – a compelling value proposition.

2 Staff in Brisbane,  
Australia

...**1994**

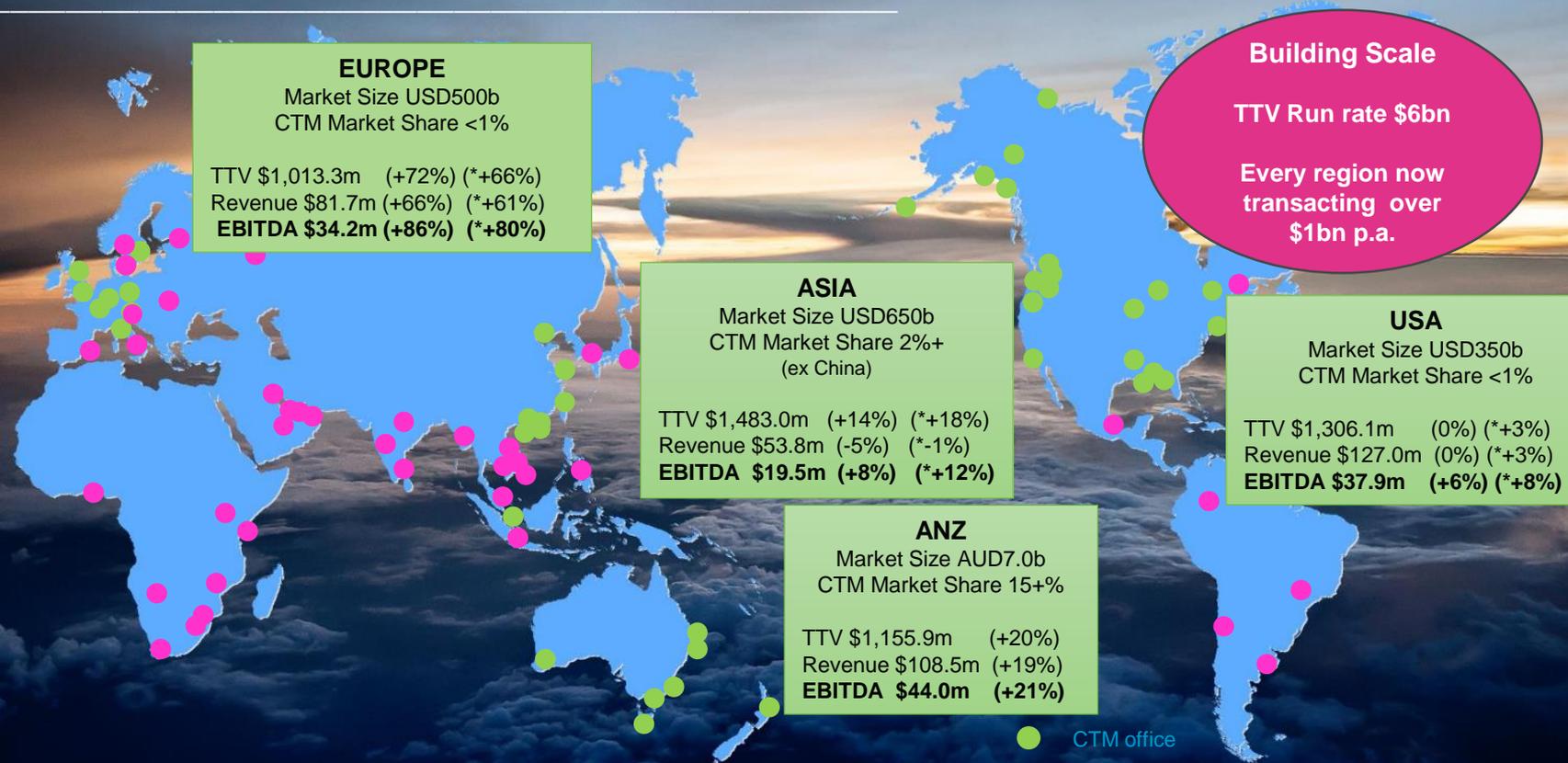
## Value Proposition

- Highly personalised service
- Compelling technology that adds value
- Return on investment methodology

...**2018**

2,350 Staff  
70+ Countries  
TTV Over \$6bn run rate

# CTM Global Footprint and FY18 Performance Overview (AUD\$m)



Market size estimated at USD1.4 trillion, growing at USD40bn p.a.  
The CTM network provides local service solutions in more than 70 countries globally  
Approximately 70% of CTM profits derived off-shore.

\* Represents constant currency comparisons

# Benefits of scale and technology: IPO to FY18.

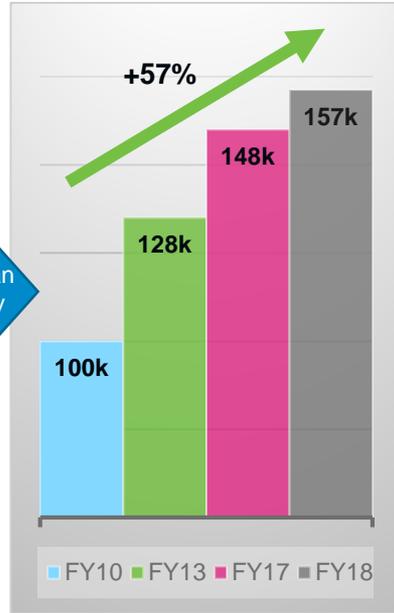
## Revenue/ TTV Yield %



- Ability to win larger client segments, globally

More than off-set by

## Increasing Revenue per FTE



- **Automation** reducing non-client facing process
- **Create more time to service clients**

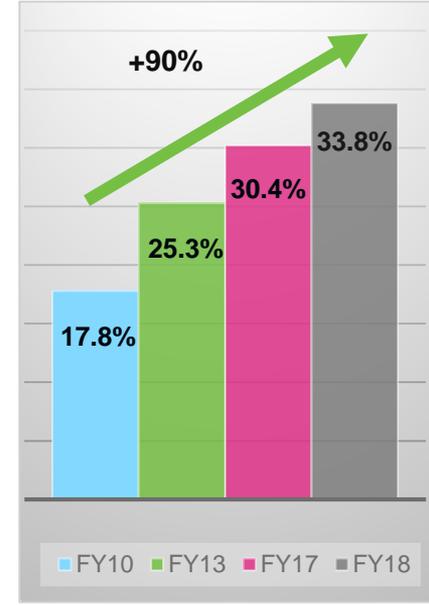
Results

## Increasing EBITDA per FTE



- **Support costs growing at slower rate** than top line growth

## EBITDA/Revenue % Margin



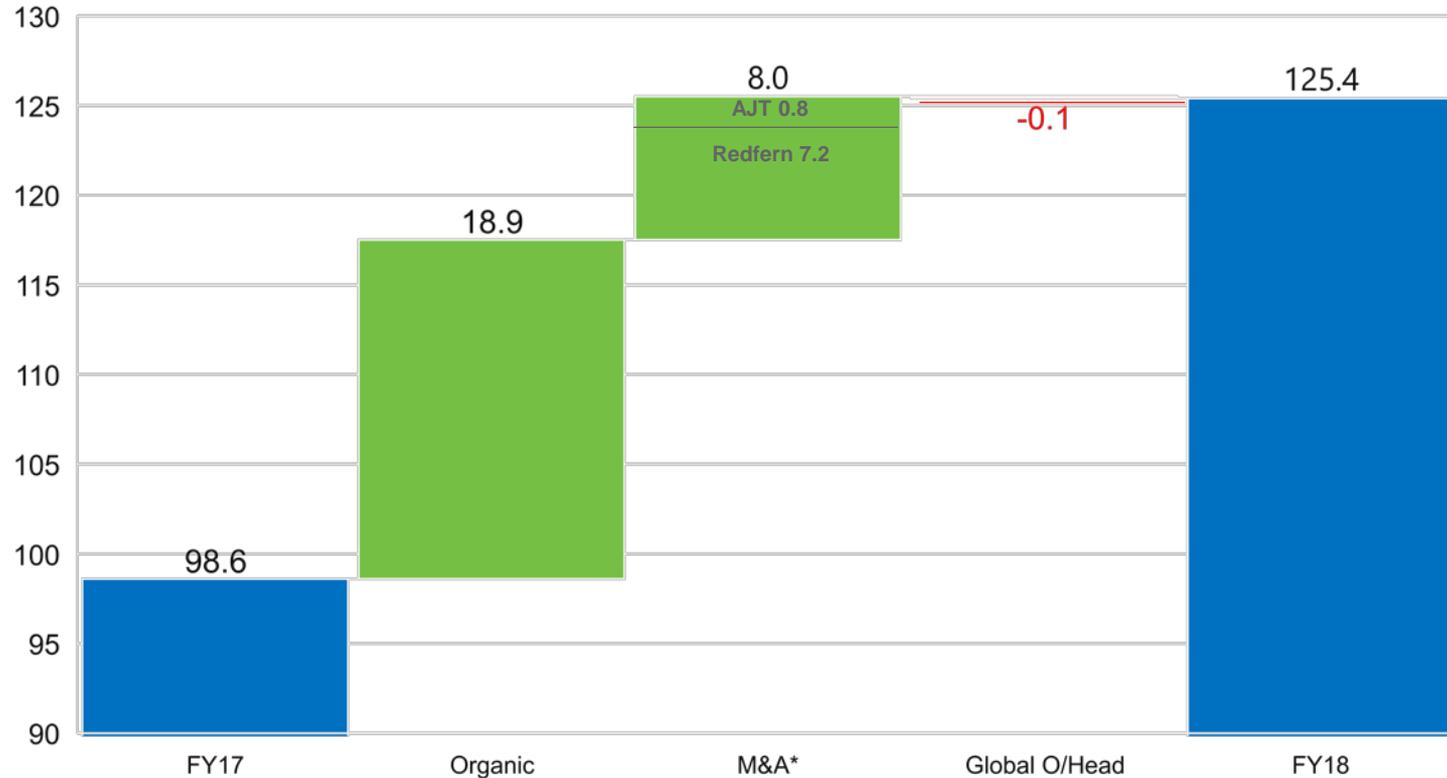
- Best practice outcomes whilst achieving client satisfaction, staff engagement



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**Regional  
performance.**

# Underlying FY18 EBITDA Growth Summary (AUD\$m)



\*M&A EBITDA values represent EBIDA at time of acquisition announcement for p.c.p.

- Organic growth again the catalyst for performance, **representing +19% on FY18 baseline**
- 2H organic growth 21%

# FY18 Regional overview

	CTM Consolidated			Australia & New Zealand		North America		Asia		Europe		Group					
	June-18	June-17		Jun-18	Jun-17	Jun-18	Jun-17	Jun-18	Jun-17	Jun-18	Jun-17	Jun-18	Jun-17				
<b>REPORTED AUD</b>	\$m	\$m	% Change	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m				
TTV	<b>4,958.3</b>	<b>4,161.9</b>	<b>19%</b>	1,155.9	962.3	20%	1,306.1	1,309.9	0%	1,483.0	1,301.1	14%	1,013.3	588.6	72%	-	-
Revenue	<b>371.0</b>	<b>324.4</b>	<b>14%</b>	108.5	91.5	19%	127.0	126.7	0%	53.8	56.7	(5%)	81.7	49.2	66%	0.0	0.3
Adj. EBITDA	<b>125.4</b>	<b>98.6</b>	<b>27%</b>	44.0	36.3	21%	37.9	35.9	6%	19.5	18.1	8%	34.2	18.4	86%	(10.2)	(10.1)
EBITDA/revenue margin	<b>33.8%</b>	<b>30.4%</b>		40.6%	39.7%		29.8%	28.3%		36.2%	31.9%		41.9%	37.4%			
<b>CONSTANT CURRENCY*</b>																	
TTV	<b>5,009.6</b>	<b>4,161.9</b>	<b>20%</b>	1,156.8	962.3	20%	1,342.9	1,309.9	3%	1,535.1	1,301.1	18%	974.8	588.6	66%	-	-
Revenue	<b>374.6</b>	<b>324.4</b>	<b>15%</b>	108.9	91.5	19%	130.5	126.7	3%	56.0	56.7	(1%)	79.2	49.2	61%	0.0	0.3
Adj. EBITDA	<b>126.4</b>	<b>98.6</b>	<b>28%</b>	44.3	36.3	22%	38.9	35.9	8%	20.2	18.1	12%	33.2	18.4	80%	(10.2)	(10.1)

\*Constant currency reflects June 2017 as previously reported. June 2018 represents local currency converted at average foreign currency rates for the full year ended June 2017

	FY18	FY17	% Change
<b>Reported (AUD)</b>	\$m	\$m	
TTV	1,155.9	962.3	20%
Revenue	108.5	91.5	19%
Underlying EBITDA	44.0	36.3	21%
EBITDA / Revenue Margin	41%	40%	
<b>CONSTANT CURRENCY</b>			
TTV	1,156.8	962.3	20%
Revenue	108.9	91.5	19%
Underlying EBITDA	44.3	36.3	22%

## Underlying EBITDA up 21% on the p.c.p.:

- Region continues to outperform market
- Winning market share through record new client wins and retention, with market share 15%+
- 80% of all client transactions are on-line

## FY19 Outlook:

- Experiencing continuation of broad based client activity increase
- Momentum from record client wins in 2HFY18 continuing
- Roll-out of SCT (SMART Corporate Travel) SME tool focussing on the SME segment from 1QFY19
- ANZ again expected to be a significant contributor to Group profit

# Asia

	FY18	FY17 reported	% Change
<b>Reported (AUD)</b>	\$m	\$m	
TTV	1,483.0	1,301.1	14%
Revenue	53.8	56.7	(5%)
Underlying EBITDA	19.5	18.1	8%
EBITDA/Revenue Margin	36%	32%	
<b>CONSTANT CURRENCY</b>			
TTV	1,535.1	1,301.1	18%
Revenue	56.0	56.7	(1%)
Underlying EBITDA	20.2	18.1	12%

## Underlying EBITDA 8% on the p.c.p. (+12% on constant currency):

- As previously flagged, tale of two halves, since ticket prices steadied in January 2018. Supplier revenues recovered in 2H to normal levels
- Underlying business performing well in 2HFY18, with **EBITDA up 20%** on the 2H comparative on constant currency basis
- SMART Technology suite roll-out complete, including Lightning OBT resulting in early client wins and automation gains

## FY19 Outlook:

- Experiencing broad based client activity increases, flat ticket prices
- Expect double digit organic EBITDA growth
- Additionally, Lotus Travel acquisition will contribute from 2QFY19
- As a result of the scale, Asia expected to be significant contributor to incremental group EBITDA growth over the next 3 years

# Europe

	FY18	FY17	% Change
<b>Reported (AUD)</b>	\$m	\$m	
TTV	1,013.3	588.6	72%
Revenue	81.7	49.2	66%
Underlying EBITDA	34.2	18.4	86%
EBITDA/Revenue Margin	42%	37%	
<b>CONSTANT CURRENCY</b>			
TTV	974.8	588.6	66%
Revenue	79.2	49.2	61%
Underlying EBITDA	33.2	18.4	80%

## Organic Growth Reconciliation:

FY17 Baseline

Add: Redfern (7 months)

Revised Baseline

Organic growth, AUD

**Organic Growth, constant currency**

## EBITDA

18.4

7.2

25.6

7.6

33.2

## Underlying EBITDA up 86% on the p.c.p. (+80% in constant currency)

- Another strong year of execution and outperformance with 29% organic growth in constant currency
- Improved EBITDA margin due to a combination of CTM SMART technology suite and resulting move to on-line
- 80% of all transactions are on-line

## FY19 Outlook:

- Experiencing continued patchy client activity as a result of lack of Brexit clarity for corporate UK, which is expected to continue
- Expect double digit EBITDA growth due to market share gains, despite any Brexit impact upon client activity
- Continue to investigate M&A opportunities

# North America

	FY18	FY17	% Change
<b>Reported (AUD)</b>	\$m	\$m	
TTV	1,306.1	1,309.9	0%
Revenue	127.0	126.7	0%
Underlying EBITDA	37.9	35.9	6%
EBITDA/Revenue Margin	30%	28%	
<b>CONSTANT CURRENCY</b>			
TTV	1,342.9	1,309.9	3%
Revenue	130.5	126.7	3%
Underlying EBITDA	38.9	35.9	8%

## Underlying EBITDA up 6% on the p.c.p. (8% on constant currency):

- Strong 2HFY18 wins, mostly global/regional, but delayed implementations
- Largest technology investment by CTM region, with SMART suite and Lightning OBT on track for December 2018
- Management team in place to take the business forward over the longer term

## FY19 Outlook:

- Experiencing broad based client activity increase. **July and August 2018 revenue up 13% on the p.c.p.**, reflecting trade of prior year client wins
- Expecting strong top line growth through new client wins but weaker translation to EBITDA growth, due to reliance on 3<sup>rd</sup> party technology (higher costs)
- CTM Technology investment will reduce reliance on 3<sup>rd</sup> party systems, and expected to enhance client wins, productivity and profit translation, commencing CY19 and into FY20.
- Single digit EBITDA growth expectations for FY19; flat 1H, stronger 2H
- Continue to investigate M&A opportunities



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**Group financial  
performance.**

# Comparative Statutory Profit and Loss

\$AUD (m)	FY18	FY17	% Change
TTV	4,958.3	4,161.9	19%
Revenue and other income	372.2	325.9	14%
<b>EBITDA adjusted for one-off non-recurring / acquisition costs (adjusted EBITDA)</b>	<b>125.4</b>	<b>98.6</b>	<b>27%</b>
Net profit after tax (NPAT):	80.6	57.8	39%
<b>NPAT - Attributable to owners of CTD</b>	<b>76.7</b>	<b>54.6</b>	<b>41%</b>
Add back one-off non-recurring / acquisition costs (tax effect)	0.7	1.4	
Add back amortisation of client intangibles (Tax effect)	8.6	8.2	
<b>Underlying NPAT - Attributable to owners (excluding acquisition amortisation)</b>	<b>86.0</b>	<b>64.2</b>	<b>34%</b>

- EBITDA margin has increased to 33.7% (2017 30.3%) due to automation initiatives, scale and integration synergies
- Yield of 7.5% (2017 7.8%). The slight decline in yield is largely due to growing number of larger global customers
- \$15.8m of amortisation for the year. \$10.2m (\$8.6m tax effected) of this amount relates to amortisation of client intangibles, which is a non-cash amount
- Effective tax rate of 22.3% (2017:25.5%) The decline is largely due to US tax reform.
- FY19 effective rate expected to be circa 22-24%

# Group Balance Sheet

\$AUD (m)	June 2018	June 2017
Cash	84.3	79.2
Receivables and other	256.4	206.9
<b>Total current assets</b>	<b>340.7</b>	<b>286.1</b>
PP&E	6.1	5.3
Intangibles	451.6	439.8
Other	6.4	9.0
<b>Total assets</b>	<b>804.8</b>	<b>740.2</b>
Payables	231.1	188.1
Acquisition related payables	22.5	44.9
Other current liabilities	37.8	40.9
<b>Total current liabilities</b>	<b>291.4</b>	<b>273.9</b>
Non current acquisition related payables	-	20.7
Other non current liabilities	41.9	44.2
<b>Total liabilities</b>	<b>333.3</b>	<b>338.8</b>
<b>Net assets</b>	<b>471.5</b>	<b>401.4</b>

- Future acquisition earn-out payables approximately \$22.5m (2017 \$65.6m) for Redfern and Chambers Travel acquisitions
- Borrowings at June 2018 are slightly lower at \$44.0m (June17 \$45.4m), despite funding earn-outs, dividends and capex from cash flow
- Subsequent to year end (2 July 2018) CTM completed the acquisition of Platinum Travel for \$5m. This transaction was funded via cash
- Subsequent to year end \$40m was raised through a share placement to finance acquisition of Lotus Travel, effective 2 October 2018

# Normalised Operating Cash Conversion

\$AUD (m)	June 18	June 17
Cash flows from operating activities	94.4	69.3
Add back: tax and interest	<u>25.2</u>	<u>22.1</u>
<b>Total operating cash conversion</b>	<b>119.6</b>	<b>91.4</b>
Underlying EBITDA	125.4	98.6
Reported operating cash conversion %	95%	93%
<b>Normalised Operating Cash Conversion:</b>		
Add back BSP/RSP timing	(10.0)	7.0
ANZ/USA one off government clients on terms	15.0	-
Normalised operating cash conversion	124.6	98.4
<b>Normalised operating cash conversion %</b>	<b>99%</b>	<b>100%</b>

- Timing of BSP\* and RSP^ payments have largest impact on operating cash flow. These timing differences are short term (1-7 days)
- \$15m one-off impact on ANZ/USA due to new government clients won, operating on credit terms.
- 1H19 will be adversely affected by timing of BSP payments, principally in Asia and will be amplified by Lotus Travel. This is a **timing difference** only, with 2H19 being positively affected by timing, similar to FY18.
- It is our ongoing expectation that CTM will achieve approximately **100% operating cash conversion** over the long term

\* Bank Settlement Period ^Rail Settlement Period

# Cash Flow Summary

\$AUD (m)	FY18	FY17
EBITDA	124.6	97.0
Acquisition/non-recurring costs	<u>0.8</u>	<u>1.6</u>
Adjusted EBITDA	125.4	98.6
Non cash items	0.8	0.1
<b>Change in working capital</b>	<b>(6.4)</b>	<b>(7.4)</b>
Income tax paid	(22.8)	(20.0)
Interest	(2.6)	(2.0)
<b>Cash flows from operating activities</b>	<b>94.4</b>	<b>69.3</b>
Capital expenditure	(13.7)	(13.9)
Other investing cash flows	(37.2)	(103.4)
<b>Cash flow from investing activities</b>	<b>(50.9)</b>	<b>(117.3)</b>
Dividends paid	(37.5)	(30.5)
New Equity	-	70.2
Net (repayment)/drawing of borrowings	(3.0)	9.1
<b>Cash flow from financing activities</b>	<b>(40.5)</b>	<b>48.8</b>
FX Movements on cash balances	2.1	(2.7)
Net (increase)/decrease in cash	(5.1)	1.9

- Investing cash flows primarily relate to Chambers Travel, Travizon and Redfern earn-out consideration funded through short term debt and working capital
- FY19 Software capex expected to be in the range of \$18-20m (FY18-\$11.0m)



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**Acquisition  
update.**

# Lotus Travel - effective October 2018



- Established in 1957, Lotus Travel Group Limited is one of Hong Kong's top Travel Management Companies (TMC), servicing the greater China market, specializing in Corporate Travel Services, B2B and MICE (meeting, incentives, conference and exhibitions)
- Website: [www.lotustours.com.hk/corporate/aboutus/](http://www.lotustours.com.hk/corporate/aboutus/)
- Lotus has a similar profile to CTM Asia, leaders in Corporate, B2B wholesale.
- Lotus CY17 TTV HKD6.0bn (AUD1.0bn), and EBITDA HKD30.0m (AUD5.0m)
- Acquisition is effective 2 October 2018, and expected to contribute 9 months to FY19 group EBITDA, projected to be HKD24.0m (AUD4.0m) for FY19.
- Acquisition funded through a \$40m capital raising in July 2018, for CTM's 75.1% share, in conjunction with CTM's Asian Partner, Ever Prestige Investments

- Exchange rates AUD1.00= HKD6.00

# Strategic Rationale – Lotus Travel Group Limited



## Optimise Scale

- CTM becomes the largest travel company in Hong Kong servicing Greater China.
- **Annualised TTV approaching AUD2.5bn.**
- Leverage technology, support costs, supplier relationships.
- Long term sustainable growth.



## Increased performance

- Overlay the CTM SMART technology suite, CTM proven business systems and processes.



## Similar Businesses

- Both are leaders in the Hong Kong market.
- Similar business mix, Corporate, Wholesale (B2B), MICE and Events.
- Enhances ability to capitalise upon best practice.



## Growth, Revenue and Cost Synergies

- Technology led synergies should lead to materially improved people effectiveness, profits and growth.



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**CTM SMART  
Technology.**

# Technology regional hubs now located in all global regions

Region	Tech hub location
ANZ	Sydney, Australia
EMEA	Hale, United Kingdom
NA	Los Angeles, USA
ASIA	Hong Kong



Over 100 FTE across regional tech hubs all located in CTM Offices



**Goal : To Accelerate speed to market and tailor client development, in-region**

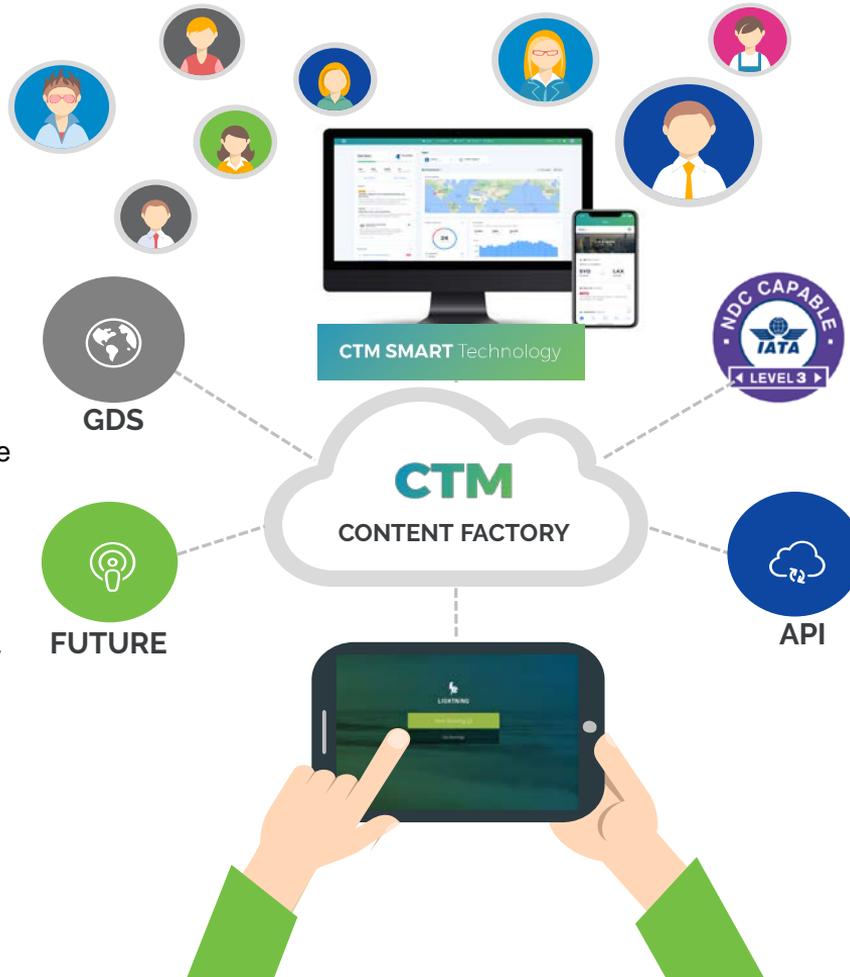
# Future proofing technology - controlling our destiny

## What is CTM SMART technology?

- CTM developed, integrated end-to-end solution for clients, including:
- **SMART** portal, 20+ diagnostic widgets, BI analytic reporting and intuitive diagnostic tools
- **Lightning** OBT, user-centric, operating globally (USA Dec18)
- CTM mobile apps, SME OBT's
- SMART is OBT agnostic so it can be used by any customer

## Enhanced productivity & Service:

- End-to-end seamless solution, easy to use, locally and globally
- Allows CTM to excel on the high value, complex travel demands critical to retaining clients



## Competitive Advantage

- Speed to market -180 releases p.a.
- Developed with and for our clients, via innovation feedback loops
- Developed in-region, addressing local market nuances
- Agile methodology, global framework and discipline
- **Over 6m bookings p.a.** via CTM developed OBT's globally

## CTM Content Factory

- Content aggregator
- Both our clients and CTM team have easy access to content in one place, irrespective of source

### GLOSSARY OF TERMS

OBT: Online Booking Tool  
SME: Small and Medium Enterprises  
NDC: New Distribution Capability  
IATA: International Air Transport Association  
GDS: Global Distribution System  
API: Application Programming Interface



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**FY19 Guidance  
Update and  
Strategy.**

# FY19 Guidance update

**FY19 underlying EBITDA range of AUD\$144-150m (approximately +15%-20% growth on the p.c.p.).**

## **Guidance Assumptions:**

1. Foreign Currency cross-rates average USD0.76c/HKD6.00/ GBP0.56p during the year.

FX sensitivity upon EBITDA in FY19:

- For every +/- USD1c movement = approximately +/- AUD\$1.1m FY19 EBITDA
- For every +/- GBP1p movement= approximately +/- AUD\$0.7m FY19 EBITDA

2. Assume relatively flat client activity globally

3. Includes a 9 month contribution from Lotus Travel in FY19, effective 2 October 2018

4. Excludes any future potential acquisitions

# Key Strategic Initiatives FY19-21

## Continued Organic Growth & Acquisition

1. Enhance our value proposition to client needs, across CTM global network
2. Outperform in local, regional and global segments
3. Leverage clients across all lines of business (CTM, ETM, B2B, B2C)
4. Execute upon M&A opportunities that add scale, niche, geography

## Client Facing Innovation

1. Continuous development of SMART technology suite globally & develop new tools with our clients
2. Through regional technology hubs, build tools that address local or regional market nuances

## Productivity & Internal Innovation

1. Internal innovation feedback loops to improve and automate existing client and non-client facing process
2. Staff empowerment in decisions to drive high staff engagement and client satisfaction outcomes

## Leverage Our Scale & Geography

1. Demonstrating CTM is of high value in the supply chain
2. Optimise supplier performance and resulting client outcomes

## Our People

1. Empower our teams to support our client needs
2. Continued investment to attract, retain and develop the brightest talent
3. Embracing culture that represents our values and business drivers



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Questions?