

A group of business professionals in a meeting. A woman with blonde hair, wearing a light-colored blazer, is smiling and gesturing with her hands. She is surrounded by other people, including a woman in a dark blazer and a man in a suit, who are looking at her and holding tablets or notebooks. The background is dark and out of focus.

CORPORATE TRAVEL MANAGEMENT

Lotus Travel Group Limited Acquisition.

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Strategic Acquisition



The Acquisition

Corporate Travel Management Limited (“CTM” or “the Company”, ASX Code CTD) is pleased to announce a strategic acquisition that will be effective 2nd October 2018. CTM will be acquiring 75.1% of Lotus Travel Group Limited (Lotus) with our CTM Asian partners Ever Prestige Investments Limited (EPI) acquiring the remaining 24.9%.

Lotus Travel Group Limited:

- Established in 1957, Lotus was one of the pioneer travel services providers in Hong Kong. Headquartered in Hong Kong with offices in Greater China employing approximately 400 staff.
- Base consideration of HKD300m (AUD50m) which is approximately 10x CY17 EBITDA. Like CTM Asia, Lotus profits were negatively impacted by declining ticket prices in CY17.
- Maximum earn-out of HKD65m (AUD10.83m) based on CY18 NPAT of HKD30-40m (AUD6.0-6.6m) prorated.
- The acquisition will be funded by a share placement of 1.554m fully paid ordinary shares at \$25.75 per share, raising AUD40m, representing CTM 75.1% share.

- Subject to consents from local authorities and consent from targets existing bankers. We expect to receive consent from both parties.
- Exchange rates AUD1.00= HKD6.00

The Lotus Travel Group Limited Business



- Established in 1957, Lotus Travel Group Limited is one of the pioneer travel services providers in Hong Kong. With over 1,000 local and international clients, Lotus is one of Hong Kong's top Travel Management Companies (TMC), specializing in Corporate Travel Services, B2B and MICE (meeting, incentives, conference and exhibitions)
- Website: www.lotustours.com.hk/corporate/aboutus/
- Lotus has a similar profile to CTM Asia, leaders in Corporate, B2B and wholesale.
- Renowned as one of the leaders in the Greater China travel market.
- CY17 TTV HKD6.0bn (AUD1.0bn), EBITDA HKD30.0m (AUD5.0m).

- Exchange rates AUD1.00= HKD6.00

Strategic Rationale

A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are set against a bright, clear sky with a prominent sun flare in the upper center. The perspective creates a sense of height and architectural scale. A semi-transparent green rectangular overlay is positioned on the left side of the image, containing the title text.

Strategic Rationale – Lotus Travel Group Limited

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

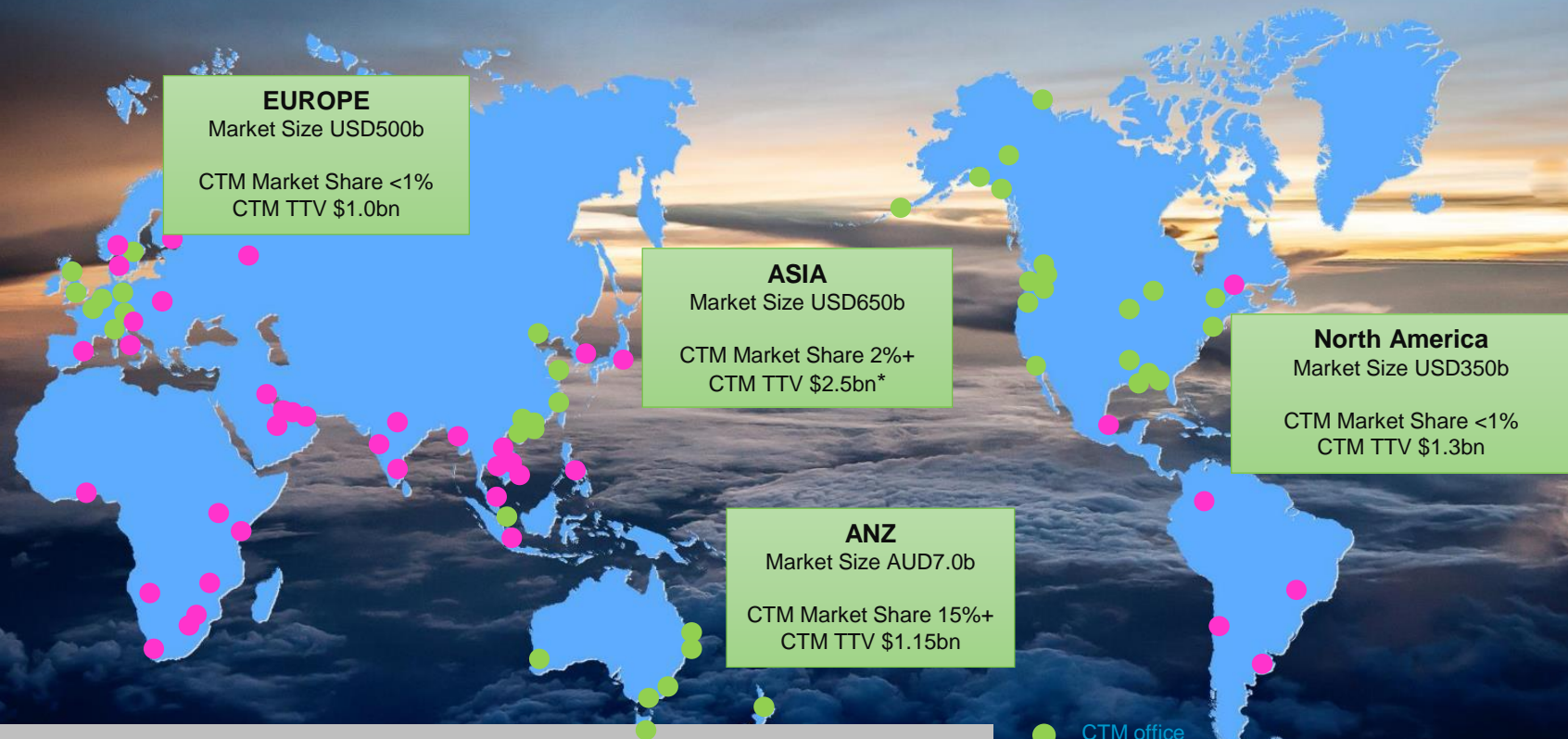
- **Scale** - CTM becomes the largest player in Hong Kong serving the Greater China market. By combining, we become the clear leader in Hong Kong with TTV approaching AUD\$2.5b. This creates optimum scale to best leverage our technology, support costs and enhance our excellent supplier relationships, across a wider base to best support long term sustainable growth.
- **Very similar businesses** - Lotus and CTM Asia are market leaders in Hong Kong, and share a similar business mix across Corporate, Wholesale (B2B), MICE and Events. The knowledge of each other's business and management lends itself to capitalising upon best practice across both businesses to make the combined entity more effective.
- **Optimise Lotus performance** – The strategy is to overlay CTM technology, the CTM Corporate SMART technology suite and our business systems and processes to make Lotus and their people more effective to support longer term sustainable growth.
- **Growth, revenue and cost synergies** - Compared to CTM Asia, the Lotus business has relatively low profit to TTV margins, despite the businesses being very similar. (CTM: TTV AUD1.5bn. EBITDA AUD19.5m, Lotus TTV AUD1.0bn, EBITDA AUD5.0m) There will be technology led synergies that should lead to materially improved people effectiveness, profits and growth over a two to three year cycle.

CTM – M&A Discipline

In keeping with CTM's strong M&A discipline, the Lotus Travel acquisition fits its strict criteria:

	Lotus Travel
Strong Market Reputation/ Market Leader	✓
High Historical Client and Staff Retention	✓
Builds Scale, Geographic Footprint, Build upon Niche	✓
EPS Accretive	✓

CTM FY18 Global footprint (including annualised CY17 Lotus TTV)



● CTM office
● Partner office

* Projected Annualised Result

Exchange rates AUD1.00= HKD6.00/GBP0.56/USD0.76

Corporate Market size estimated at USD1.4 trillion, growing at USD40bn p.a.
CTM current run rate A\$6bn+ including Lotus annualised (\$0.35bn at IPO Dec'10)
Operating out of over 70 countries, employing over 2700 FTE including Lotus
Highly diversified global business, with approx. 70% profit derived off-shore



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**Acquisition
Financial
Information**

Acquisition Financial Information

- Base consideration of HKD300m (AUD50m) which is approximately 10x CY17 EBITDA. Like CTM Asia, Lotus profits were negatively impacted by declining ticket prices in CY17.
- Maximum earn-out of HKD65m based on CY18 NPAT of HKD30-40m.
- The acquisition will be funded via a share placement of 1.554m fully paid ordinary shares at \$25.75 per share, raising AUD40.0m, representing CTM's 75.1% share. CTM intends to issue the shares under Listing Rule 7.1.

• Exchange rates AUD1.00= HKD6.00

Updated Guidance.

A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are set against a bright sky with a sun flare in the upper center. A large green rectangular overlay covers the left side of the image, containing the text.

FY18 Guidance Update/Impact on FY19 Guidance

- CTM is expected to deliver full year results **at or slightly above top end of guidance**. Original FY18 underlying EBITDA of approximately AUD125m (27.0% growth on the p.c.p.).
- Lotus will contribute 9 months EBITDA in FY19 or AUD4.0m (HKD24.0m) and AUD5.0m (HKD30.0m) on an annualised basis. The acquisition is targeted to take effect from 2nd October 2018.
- FY19 profit Guidance will be updated to reflect the Lotus contribution upon the release of CTD FY18 full year results on 22 August 2018.



Key Risks

CTM Corporate and Transaction Risk Profile

Acquisition of Lotus Travel Group Limited	<ul style="list-style-type: none">• Subject to the satisfaction of limited conditions precedent, including obtaining certain banking and travel authority consents to the change of control.• Partial reliance on information provided by vendors.• Integration risk and actual results may differ from expectations.
Economic	<ul style="list-style-type: none">• Specific (corporate and leisure travel), or general.
Information technology	<ul style="list-style-type: none">• Reliance on proprietary IT licences and potential cost increases.
Competition	<ul style="list-style-type: none">• Growing through internet based travel providers
Client relationships	<ul style="list-style-type: none">• Reduced demand or termination by key clients.
Supplier relationships	<ul style="list-style-type: none">• Loss of key suppliers.• Changes to commission rates.
Hostilities, terrorism and other external events	<ul style="list-style-type: none">• General or specific travel locations.
Employees	<ul style="list-style-type: none">• Ability to retain key staff .• Increases in recruitment and remuneration costs.
Future growth	<ul style="list-style-type: none">• Identification and execution of future merger and acquisition opportunities.• Capital and funding requirements.• Changes in regulation of travel industry.• Post completion integration.
Intellectual property	<ul style="list-style-type: none">• Ability to develop and protect.

Thank you.



corporate travel
management