

**Date:** 20/02/2019

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Managing Director

# 2019 Half Year Results.



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# Overview.

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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 2,700 FTE staff and the CTM network provides localised service solutions to clients globally.

**CTM has been proudly operating for 25 years.**





# Group Financial Highlights.



# Group results highlights.

- **Underlying EBITDA up approximately 21% to \$64.6m** (includes \$1.3m FX upside to forecasted FX assumptions)
- **Strong organic growth** and specifically, **record client wins** underpins EBITDA performance
- **Excellent translation of revenue to EBITDA** due to benefits of CTM's growing scale, technology and automation
- **Operating Cash Flow** is expected to be circa 100% for FY19
- **Half year fully franked dividend** up 20% to 18c
- Currently trading at the **top end of FY19 underlying EBITDA guidance at \$150m, or +20% on the p.c.p.** (original guidance range \$144m-\$150m)

Reported (\$AUDm)	1HFY19	Change on P.C.P
TTV (unaudited)	2,951.5	+31%
Revenue and other income	212.2	+23%
<b>#Underlying EBITDA</b>	<b>64.6</b>	<b>+21%</b>
Statutory NPAT attributable to owners of CTD	38.9	+27%
*Underlying NPAT (excluding acquisition amortisation)	42.6	+20%
<b>Statutory EPS, cents basic</b>	<b>36.0c</b>	<b>+25%</b>
*Underlying EPS, cents basic (excluding acquisition amortisation)	39.4c	+17%
Half Year Dividend, fully franked	18c	+20%

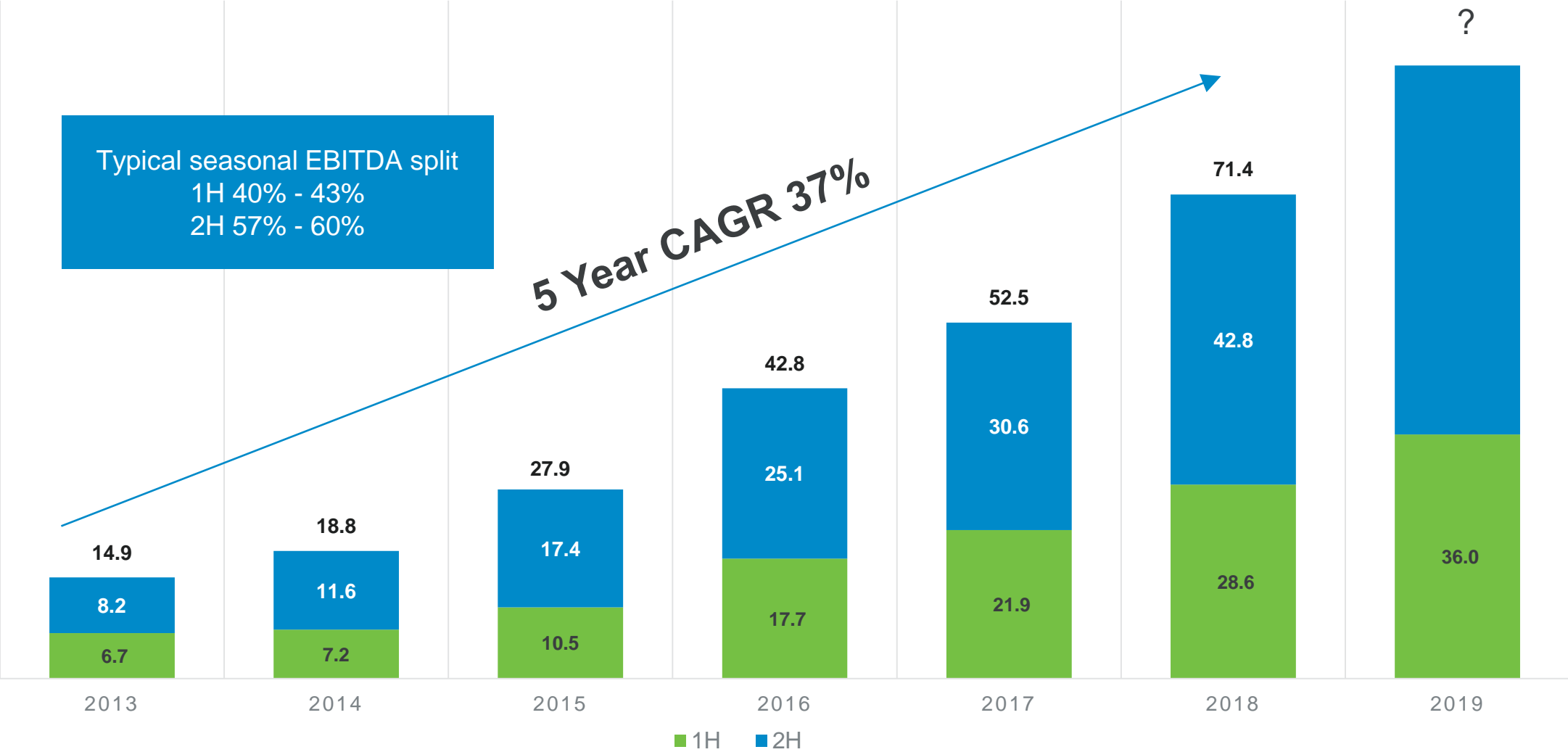
# Excluding pre-tax one-off acquisition and non recurring costs of \$1.4m (1HFY18: \$0.6m)

\*Net of non-cash amortisation relating to acquisition accounting \$2.8m (1HFY18 \$4.5m) and post-tax acquisition costs of \$0.9m (1HFY18: \$0.4m)



**Growth Profile.**

# Statutory EPS growth - successful M&A with organic growth.



# A quality business – out performing in every region.



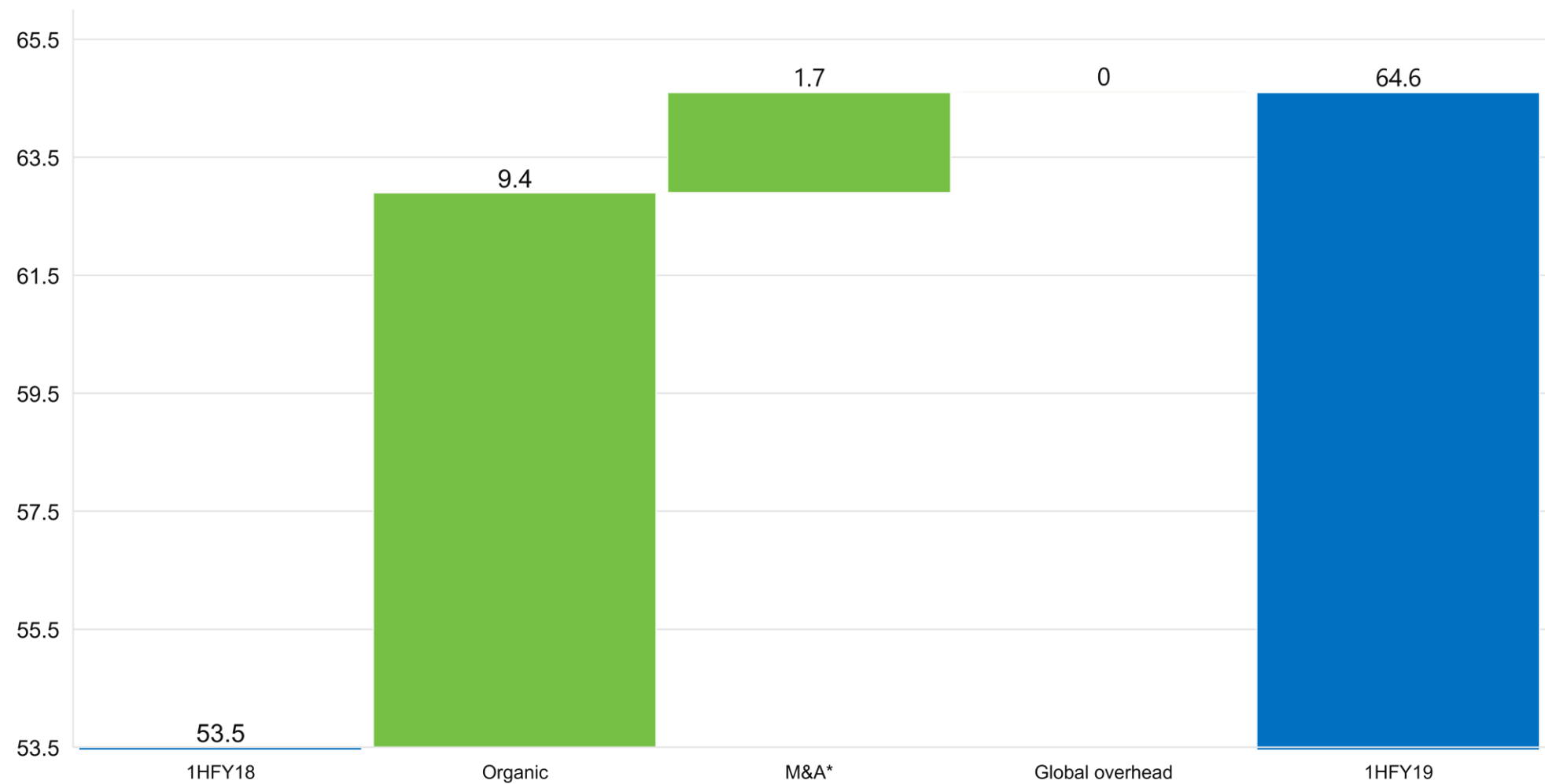




# Regional Performance.

# Underlying 1HFY19 EBITDA Growth Summary (AUD\$m).

- Organic growth again the catalyst for performance, **representing approx. +18% on 1HFY19 baseline**
- Previously flagged overheads would grow at a slower rate than revenue as CTM built out a global support structure



\*M&A EBITDA values represent EBITDA at time of acquisition announcement (Lotus \$1.3m, SCT 0.4m)

# 1HFY19 Regional overview.

	CTM Consolidated			Australia & New Zealand			North America			Asia			Europe			Group		
	Dec-18	Dec-17		Dec-18	Dec-17		Dec-18	Dec-17		Dec-18	Dec-17		Dec-18	Dec-17		Dec-18	Dec-17	
REPORTED (AUD)	\$m	\$m		\$m	\$m		\$m	\$m		\$m	\$m		\$m	\$m		\$m	\$m	
TTV	2,951.5	2,258.5	31%	649.6	541.2	20%	689.9	592.4	16%	1,070.5	667.9	60%	541.5	457.0	18%	--	--	
Revenue	210.2	171.9	22%	58.3	50.5	15%	70.2	59.4	18%	38.3	26.1	47%	43.3	35.9	21%	0.1	--	
Adj. EBITDA	64.6	53.5	21%	22.3	18.9	18%	17.9	17.3	3%	12.5	9.3	34%	16.8	12.9	30%	(4.9)	(4.9)	0%
EBITDA/revenue margin	30.7%	31.1%																
CONSTANT CURRENCY*																		
TTV	2,798.6	2,258.5	24%	649.5	541.2	20%	641.8	592.4	8%	997.1	667.9	49%	510.2	457.0	12%	--	--	
Revenue	200.3	171.9	17%	58.3	50.5	15%	65.3	59.4	10%	35.7	26.1	37%	40.9	35.9	14%	0.1	--	
Adj. EBITDA	61.8	53.5	16%	22.5	18.9	19%	16.7	17.3	(3%)	11.6	9.3	25%	15.9	12.9	23%	(4.9)	(4.9)	0%

\*Constant currency reflects December 2017 as previously reported. December 2018 represents local currency converted at average foreign currency rates for the half year ended 31 December 2017



	1H19	1H18	% Change
<b>Reported (AUD)</b>		\$m	
TTV	649.6	541.2	20%
Revenue	58.3	50.5	15%
Underlying EBITDA	22.3	18.9	18%
EBITDA / Revenue Margin	38.3%	37.4%	
<b>CONSTANT CURRENCY</b>			
TTV	649.5	541.2	20%
Revenue	58.3	50.5	15%
Underlying EBITDA	22.5	18.9	19%

## Underlying EBITDA up 18% on the p.c.p.:

- Region continues to outperform market
- Winning market share through record new client wins and retention
- 1H result includes \$0.4m EBITDA contribution from SCT acquisition
- Approximately 80% of all client transactions are on-line

## 2H19 Outlook:

- Experiencing steady client activity
- Momentum from record client wins in 1HFY19 continuing
- ANZ will again be a significant contributor to Group profit

# Asia.

	1H19	1H18	% Change
<b>Reported (AUD)</b>		\$m	
TTV	1,070.5	667.9	60%
Revenue	38.3	26.1	47%
Underlying EBITDA	12.5	9.3	34%
EBITDA/Revenue Margin	32.6%	35.6%	
<b>CONSTANT CURRENCY</b>			
TTV	997.1	667.9	49%
Revenue	35.7	26.1	37%
Underlying EBITDA	11.6	9.3	25%

## Organic Growth reconciliation (AUD):

Underlying EBITDA	12.5m
Lotus baseline EBITDA	<u>1.3m</u> (3 months)
CTM Asia ex Lotus, 1HFY19	11.2m
Less :CTM Asia, 1HFY18	<u>(9.3m)</u>
Organic EBITDA growth	<u>1.9m</u> +20%

## Underlying EBITDA 34% on the p.c.p.:

- Business performing well across all segments
- CTM technology gaining good traction, resulting in client wins and improved sales pipelines
- Lotus Travel integration going well. Achieving early revenue and cost synergies in 2QFY19 of ownership that will play out in 2H19
- Decline in EBITDA and revenue margin a result of Lotus contribution. As previously flagged, Lotus acquired at lower margins than CTM Asia business

## 2H19 Outlook:

- Experiencing small decline in ticket price and activity but not expected to have impact on 2H
- One-off duplicated costs of \$2.5m associated in moving 3 offices into 1 amalgamated office, enabling accelerated synergies in FY20
- Expect Asia to have a strong 2H19 and be a key contributor to incremental profit growth in FY20 and beyond

# North America.

	1H19	1H18	% Change
Reported (AUD)		\$m	
TTV	689.9	592.4	16%
Revenue	70.2	59.4	18%
Underlying EBITDA	17.9	17.3	3%
EBITDA/Revenue Margin	25.5%	29.1%	
CONSTANT CURRENCY			
TTV	641.8	592.4	8%
Revenue	65.3	59.4	10%
Underlying EBITDA	16.7	17.3	(3%)

## Underlying EBITDA up 3% on the p.c.p.:

- As previously flagged, strong revenue growth off-set by additional \$2.0m technology hub development costs expensed in 1H versus the p.c.p. This explains the lower EBITDA margin
- On a 'like for like' basis, EBITDA would be up 15%
- Technology suite launched to market, with on-going client rollout and regular enhancements underway, continuing throughout CY19

## 2H19 Outlook:

- Experiencing continuation of broad based client activity increase
- Expecting **double digit 2H profit growth** as development costs normalise compared to the p.c.p.
- 2H seasonal skew
- Expect technology to create new growth opportunities into FY20 in national and SME client segment



# The opportunity - USA and Asia via CTM Technology.

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## 1. CTM has demonstrated a sound track record with proprietary technology:

- **The ANZ and Europe experience is compelling** - an enhanced proprietary technology proposition improves client win and retention rates, improves productivity, and allows staff to focus upon servicing complex and valuable transactions

## 2. USA opportunity:

- **Enormous untapped market size** – Despite CTM's TTV run rate of AUD\$1.5bn, CTM represents under 1% of an addressable market size approaching USD370bn
- **Demand for new tools** - Travellers are demanding easy to book tools that empower travellers on the road. Companies are demanding better data that can drive more sophisticated corporate travel policies and booking process than currently available in consumer tools.
- **On-line penetration is relatively low in this segment** – Legacy booking systems are cumbersome & expensive. Approximately 30% of CTM transactions are on-line in the USA because of this barrier.

## 3. Asia opportunity:

- **Asian clients are now demanding a corporate on-line solution** - Lightning, CTM's proprietary tool aggregates content and offers a consumerised feel on-line. There is an opportunity to significantly increase on-line penetration and attract new clients demanding a solution.
- **Encouraged by feedback** – client and supplier feedback of our capability and enhanced functionality and features is very positive.

# Europe.

	1H19	1H18	% Change
Reported (AUD)		\$m	
TTV	541.5	457.0	18%
Revenue	43.3	35.9	21%
Underlying EBITDA	16.8	12.9	30%
EBITDA/Revenue Margin	38.8%	35.9%	
CONSTANT CURRENCY			
TTV	510.2	457.0	12%
Revenue	40.9	35.9	14%
Underlying EBITDA	15.9	12.9	23%

## Underlying EBITDA up 30% on the p.c.p.:

- Region continues to outperform market
- Continuation of winning market share despite patchy client activity (Brexit)
- Additional benefit from global clients won ex USA, transacting in Europe

## 2H19 Outlook:

- Full year group guidance includes prudent forecasting in 2H given Brexit uncertainty



# Group Financial Summary.



# Comparative statutory profit and loss.

\$AUD (m)	1H19	1H18	% Change	
TTV	2,951.5	2,258.5	+31%	
Revenue and other income	212.2	172.8	+23%	• \$2.8m of amortisation relates to client intangibles as part of acquisition accounting, which is a non-cash amount
<b>#Underlying EBITDA</b>	<b>64.6</b>	<b>53.5</b>	<b>+21%</b>	• Amortisation of client intangibles for full year estimated at \$6.8m (FY18-\$10.2m) assuming no additional M&A
Net profit after tax (NPAT):	40.6	32.3	+26%	• 1H19 effective tax rate of 22.6%. Expecting 23-24% over longer term subject to global profit split
<b>NPAT - Attributable to owners of CTD</b>	<b>38.9</b>	<b>30.6</b>	<b>+27%</b>	• Slight decline in EBITDA margin primarily due to Lotus 3 month contribution in Asia (Lotus acquired at lower profit margin than CTM Asia business), and increased technology hub costs expense in North America
Add back one-off non-recurring / acquisition costs (tax effect)	0.9	0.4		
Add back amortisation of client intangibles	2.8	4.5		
<b>Underlying NPAT - Attributable to owners (excluding acquisition amortisation)</b>	<b>42.6</b>	<b>35.5</b>	<b>+20%</b>	

# Excluding pre-tax one-off acquisition and non recurring costs of \$1.4m (1HFY18: \$0.6m)

# Comparative statutory balance sheet.

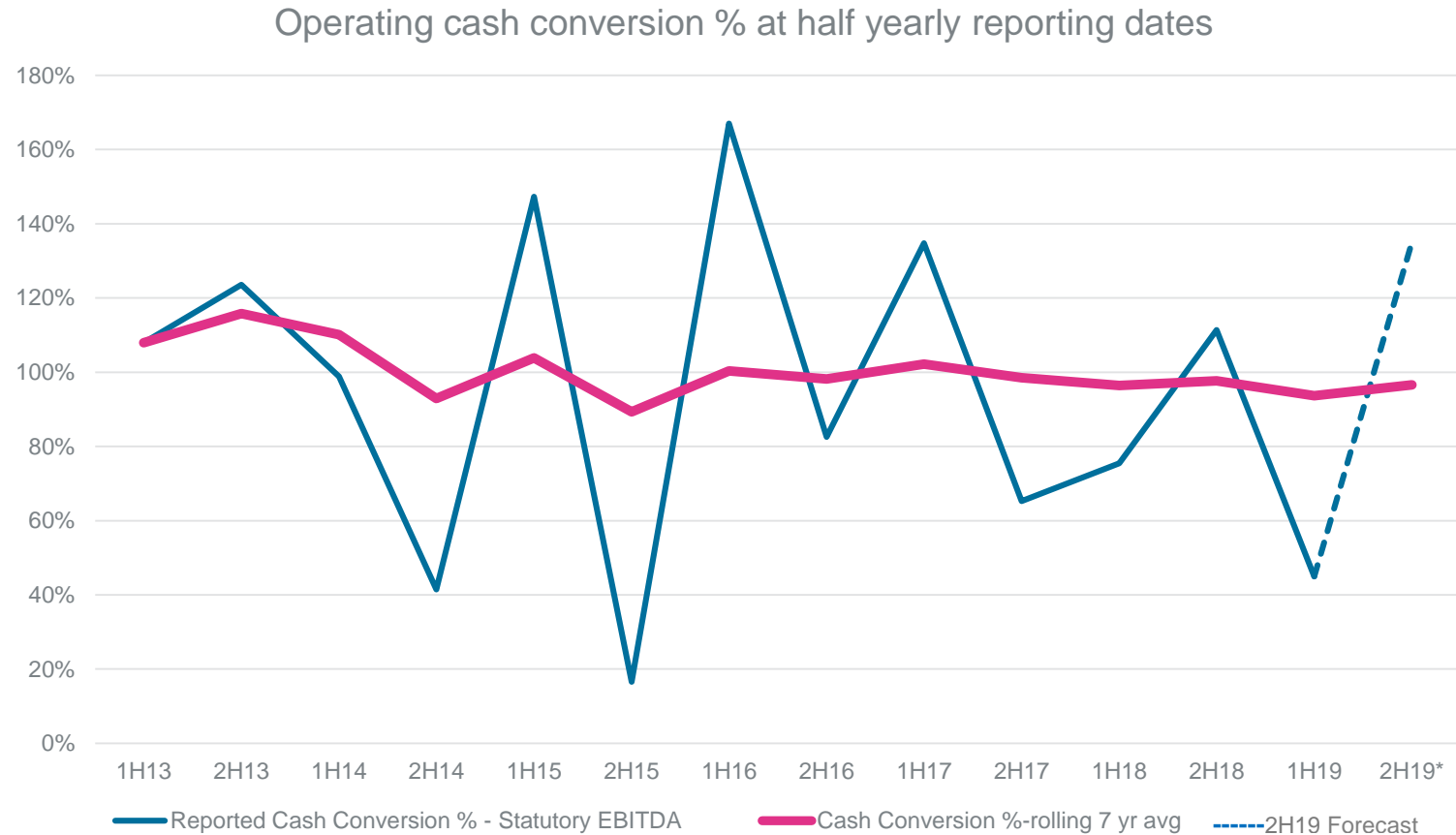
\$AUD (m)	Dec 2018	June 2018	
Cash	74.2	84.3	
Receivables and other	267.8	256.4	
<b>Total current assets</b>	<b>342.0</b>	<b>340.7</b>	<ul style="list-style-type: none"> <li>Intangibles have increased primarily due to Lotus acquisition</li> </ul>
PP&E	7.8	6.1	
Intangibles	502.0	451.6	<ul style="list-style-type: none"> <li>Typically receivables and payables are lower at 31 December compared to 30 June due to seasonality. This half is impacted by the combination of Lotus during the period</li> </ul>
Other	4.1	6.4	
<b>Total assets</b>	<b>855.9</b>	<b>804.8</b>	
Payables	193.8	216.4	<ul style="list-style-type: none"> <li>Expect larger receivable and payables at 30 June 2019 due to higher activity and timing cycle of fixed supplier payments on 30 June 2019 reporting period</li> </ul>
Borrowings	12.9	14.7	
Acquisition related payables	0.8	22.5	
Other current liabilities	23.3	37.8	<ul style="list-style-type: none"> <li>Borrowings of \$60.9m (FY18 \$44.0m) are primarily for M&amp;A. Maximum future earn-out obligations are very low at \$3.5m</li> </ul>
<b>Total current liabilities</b>	<b>230.8</b>	<b>291.4</b>	
Non current acquisition related payables	2.6	0.0	<ul style="list-style-type: none"> <li>CTM previously guided to circa \$18m of software development costs for FY2019 (1H \$8.3m). This continues to be the expectation</li> </ul>
Borrowings	48.0	29.3	
Other non current liabilities	16.1	12.7	
<b>Total liabilities</b>	<b>297.4</b>	<b>333.3</b>	
<b>Net assets</b>	<b>558.4</b>	<b>471.5</b>	

# Operating cash conversion - rolling 7 year average.

- Operating cash conversion **rolling 7 year average near 100%**
- Half year swings primarily due to **the fixed timing cycles of supplier payments (fixed dates set by BSP<sup>1</sup> and RSP<sup>2</sup>) in relation to reporting period dates**. These **timing differences are short term** (typically 1-7 days)
- Timing is industry-wide and is not isolated to CTM
- It is our ongoing expectation that CTM will achieve approximately **100% operating cash conversion over FY19 and beyond**
- As previously flagged, cash conversion at 45% was lower in 1H19, and will **completely reverse in 2H19**, due to **the fixed payment timing cycle** in relation to the 30 June 2019 reporting date

<sup>1</sup>BSP Billing Settlement Plan

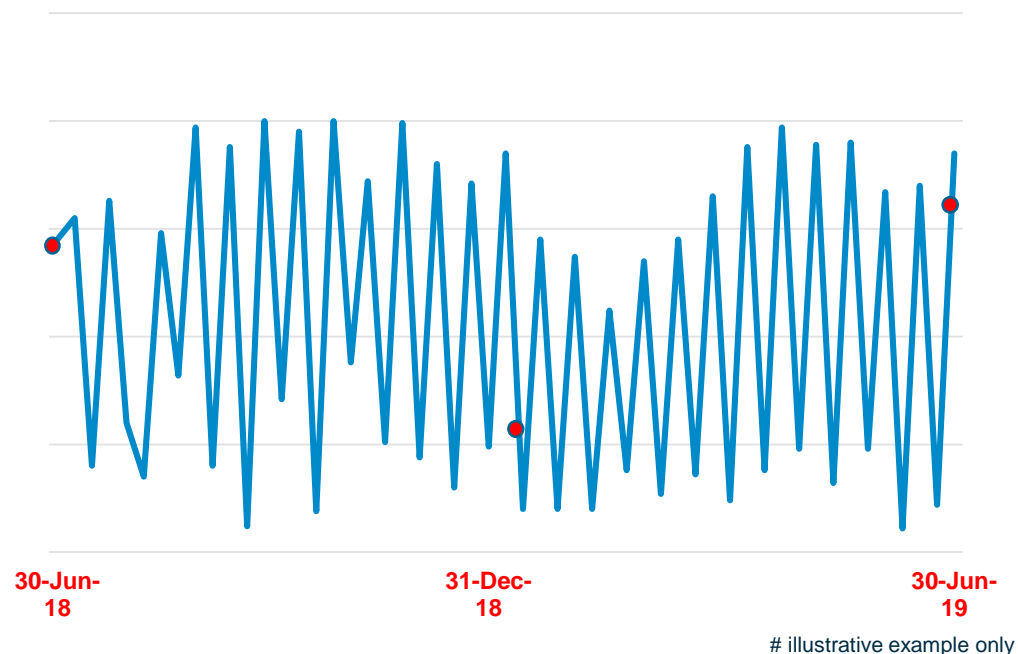
<sup>2</sup>RSP Rail Settlement Plan





# Why year end (30 June 2019) will show strong cash conversion.

# Cash Balance Swings (\$m)



● Half year reporting date  
— Daily cash balance movements  
(bottom of each cash cycle is payment date)

- The cash cycle timing shift in relation to reporting periods from 30 June 2018 to 31 December 2018 had a negative effect on operating cash
- The cash cycle timing shift in relation to reporting periods from 31 December 2018 to 30<sup>th</sup> June 2019 will have a positive effect on cash flow

## Timing Differences Explained

- As illustrated, the **bottom of the cash cycle represents the fixed payment date** for air and rail, the top of the cash cycle is immediately before payment is due, when cash is at its peak
- Swings in cash cycles from top to bottom of each cycle are frequent, and can be up to \$60m difference from the top to bottom of a payment cycle, a significant amount compared to FY19 guidance EBITDA (\$150.0m)
- Reporting date timing differences occur when the **reporting period date** relative to air and rail fixed payment dates, falls at a different time in the payment cycle **versus the last reporting period**. This explains the lower operating cash at 31 December 2018
- **We know 30 June 2019 will be a very strong operating cash conversion half because of the positive impact of timing of the payment cycle at 30 June 2019 versus 31 December 2018 (as illustrated)**
- Operating cash flow will be circa 100% in FY19 and beyond (as outlined in 7 year rolling average on slide 20)

# Cash flow summary.

\$AUD (m)	6mth FY19	6mth FY18	
EBITDA	63.2	53.0	• Change in working capital primarily due to timing cycle of fixed supplier payments. Operating cash conversion of \$28.2m (45% conversion) for 1H19
Non cash items	1.5	(0.6)	
<b>Change in working capital</b>	<b>(36.5)</b>	<b>13.4</b>	
Income tax paid	(13.1)	(13.2)	• Investing cash flows primarily relate to Lotus Travel
Interest	(1.0)	(1.2)	
<b>Cash flows from operating activities</b>	<b>14.1</b>	<b>25.7</b>	• FY19 Capex expected to be approximately \$21m, being \$18m technology development, \$3m other
Capital expenditure	(10.0)	(5.0)	
Other investing cash flows	(46.5)	(37.2)	• Release of secured deposit relates to a partial release (\$2.2m) of Lotus Travel for transactional banking facilities. At balance date, \$8.5m of secured deposits are still in place. It is our expectation that this amount will be released by 30 June 2019.
<b>Cash flow from investing activities</b>	<b>(56.5)</b>	<b>(42.2)</b>	
Dividends paid	(25.7)	(21.6)	• Future dividends are likely to be partially franked, due to the majority of profits being derived offshore
Proceeds from issue of shares Net	39.2	0.0	
Release of secured deposits	2.2	0.0	• 2H19 operating cash expected to be strong due to favourable timing differences as outlined in Slides 20,21
Net (repayment)/drawing of borrowings	13.3	31.9	
<b>Cash flow from financing activities</b>	<b>29.0</b>	<b>10.3</b>	
FX Movements on cash balances	(3.3)	0.6	
Increase/(decrease) in cash	(10.1)	(6.8)	

A close-up, high-angle shot of a person's hands and arms, wearing a dark suit jacket and a white shirt. The person is holding a black smartphone in their left hand and using their right index finger to tap the screen. They are seated at a dark wooden desk. To the left of the person is an open laptop with a black keyboard. In the background, there is a white ceramic coffee cup on a matching saucer. The scene is lit with warm, natural light, possibly from a window with blinds visible in the upper right corner. The overall atmosphere is professional and focused.

# Client Innovation.

# Future proofing technology – controlling our destiny.

## What is CTM SMART technology?

- CTM developed, integrated end-to-end solution for clients, including:
- **SMART** portal, diagnostic widgets, BI analytic reporting.
- **Lightning OBT**, user-centric, **now operating in all 4 regions**
- CTM mobile apps, SME OBT's
- SMART is OBT agnostic so it can be used by any customer

## 1. Enhanced productivity & Service:

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



## 2. Competitive Advantage - in-house Development, in-region

- Speed to market frequent releases p.a., across 4 regions
- Our Tech hubs situated in each CTM region, developing with and for our clients, to capture local nuances
- Agile methodology, global framework and discipline
- **Over 6m bookings p.a.** via CTM OBT's globally

## 3. CTM Content Factory

- In-house content aggregator – not reliant on third party intermediaries
- Enables clients to have easy access to content in one place, irrespective of source (GDS, API, NDC)

### GLOSSARY OF TERMS

OBT: Online Booking Tool

SME: Small and Medium Enterprises

NDC: New Distribution Capability

IATA: International Air Transport Association

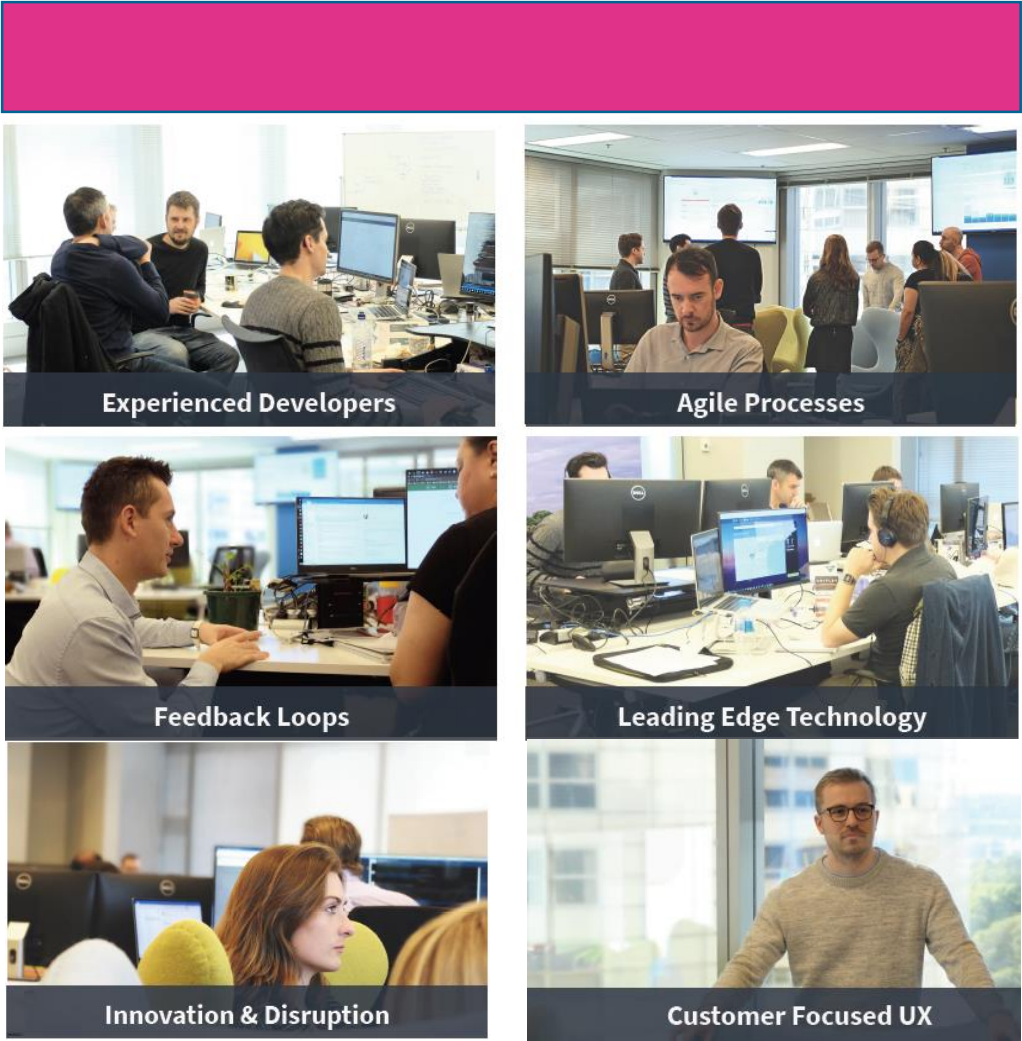
GDS: Global Distribution System

API: Application Programming Interface



# Technology hubs located in all global regions.

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



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



# Acquisition.

# Acquisition update.

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## Lotus Travel (Greater China) - recap

- Acquisition completed 2 October 2018, and will contribute 9 months to group EBITDA
- As previously flagged, Lotus is expected to contribute approximately AUD4.0m for FY19

## Highlights:

- Executed combined organisational structure, reporting lines and business plan
- Combining 3 Hong Kong offices into one amalgamated office in Q4FY19, accelerating integration and cooperation opportunities
- Lotus has an excellent reputation and highly motivated staff - opportunity to bring CTM automation and rigour to leverage greater staff effectiveness and enhanced client solutions
- **The integration and upsides, are proving to be successful**

**CTM continues to investigate further acquisition opportunities**





# FY19 Strategy and Guidance.



# Key strategic initiatives FY19-21.

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## 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

# FY19 Guidance update.

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**CTM is tracking at the top end of FY19 Guidance (underlying EBITDA AUD\$150m, +20%)**

FY19 underlying EBITDA range of AUD\$144-150m (approximately +15%-20% growth on the p.c.p.) was provided with the release of the FY18 results in August 2018

## **Guidance Assumptions:**

1. Foreign Currency cross-rates average USD0.76c/HKD6.00/GBP0.56p during the remainder of the year
2. Client activity remains favourable
3. Excludes any future potential acquisitions

A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are blue-tinted and reflect the sky. In the center, a commercial airplane is flying towards the viewer. The sky is a clear, pale blue.

# **Appendix A - AASB15 - Impact on revenue recognition disclosure**

# AASB15 Revenue from contracts with customers – Impact.

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- CTM has adopted AASB15 from 1 July 2018.
- **There is no financial impact** on revenue recognition policy for the Group profit and loss versus the p.c.p..
- Revenue previously disclosed has been disaggregated as follows;
  - **Transactional revenues** being revenues generated from the provision of travel services to **clients** (*fixed revenue*)
  - **Volume based incentive revenues** being revenues derived from contracts with **suppliers** (*variable revenue*)
  - **Transactional revenue accounts for circa 80%** of total revenues in the six months ended 31 December 2018
  - Variable revenues have been relatively stable and predictable over the last decade





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