

# Full Year Results 2016

## 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 2,200 FTE staff globally and services clients in 53 countries.

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## Group Result Highlights

- Underlying EBITDA up 41% to \$69.0m, statutory EBITDA \$70.1m. Above upgraded guidance of \$68m
- Over 80% of profit growth is organic
- CTM global network and SMART technology were key contributing factors to organic growth/client wins
- Over 100% operating cash flow conversion
- Strong profit growth in all CTM regions
- Well positioned for continued long term growth
- Full year dividend up 50% to 24 cents, fully franked (15 cents payable 6 October 2016)

\$AUD (m)	FY2016	Change on P.C.P
TTV (unaudited)	3,587	+35%
Revenue and other income	264.8	+34%
Underlying EBITDA	<b>69.0</b>	<b>+41%</b>
Statutory NPAT attributable to owners of CTD	42.1	+60%
<b>*Adjusted NPAT (excluding acquisition amortisation)</b>	<b>48.6</b>	<b>+58%</b>
Statutory EPS, cents basic	<b>43.2</b>	<b>+54%</b>
ROE	24%	+47%
Full Year Dividend, fully franked	24c	+50%

- Net of non-cash amortisation relating to acquisition accounting \$6.5m



# FY16 Strategic Outcomes





# Execution of Key Strategic Initiatives

## Continued Organic Growth and Acquisition

1. Enhance our value proposition to client needs, across CTM global network
2. Outperform in local, regional and global segments
3. Execute upon M&A opportunities

- **RESULT:** Organic growth approx. \$700m across all segments, including winning a regional client every 4 weeks
- **RESULT:** Montrose Travel, Los Angeles January 2016, Travizon, Boston July 2016

## Client Facing Innovation

1. Implementation of SMART technology globally & develop new tools with our clients
2. Leveraging technology suite into new market segments

- **RESULT:** Accelerated corporate client market share growth, including multi-country clients
- **RESULT:** Expansion into new segments including, Events, B2B, Loyalty, creating new organic growth levers

## Productivity and 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

- **RESULT:** Increased EBITDA margin in Asia, ANZ and USA to record levels
- **RESULT:** Client satisfaction and staff engagement continue at high levels

## Leverage Our Scale and Geography

1. Building a structured supplier strategy to optimise performance and client outcomes
2. Demonstrating CTM is of high value in the supply chain

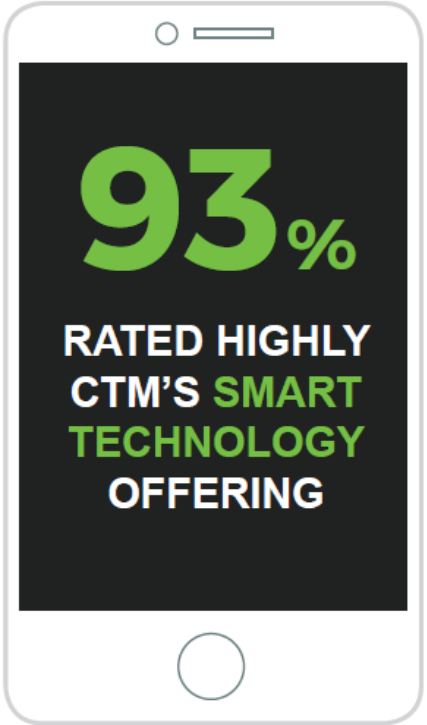
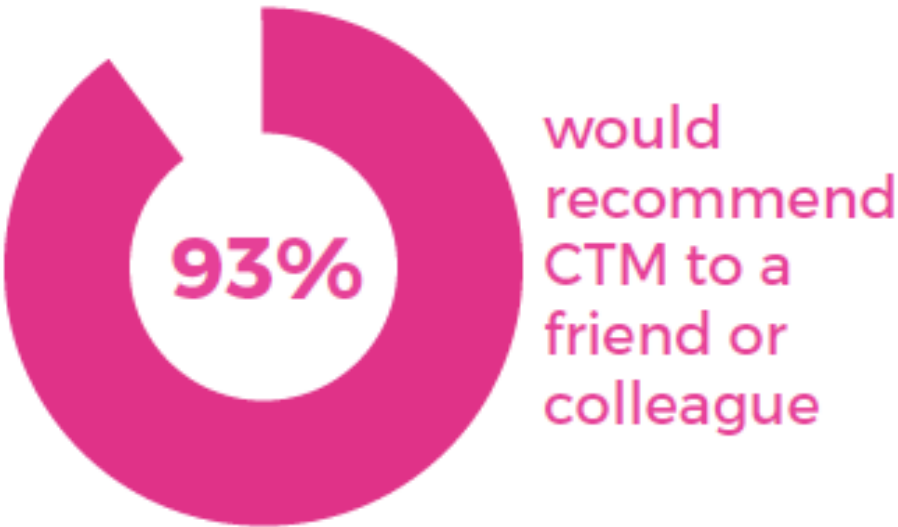
- **RESULT:** \$1m additional investment in Global supplier team
- **RESULT:** Incremental supplier gains contributing to client wins and Group EBITDA margin

## 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

- **RESULT:** Building engaged local and global teams that are highly capable and client focussed

High Client Satisfaction





TOP 3 RATED FACTORS:

- WILLINGNESS TO GO THE EXTRA MILE
- CTM'S VALUES
- CONFIDENCE IN THE FUTURE



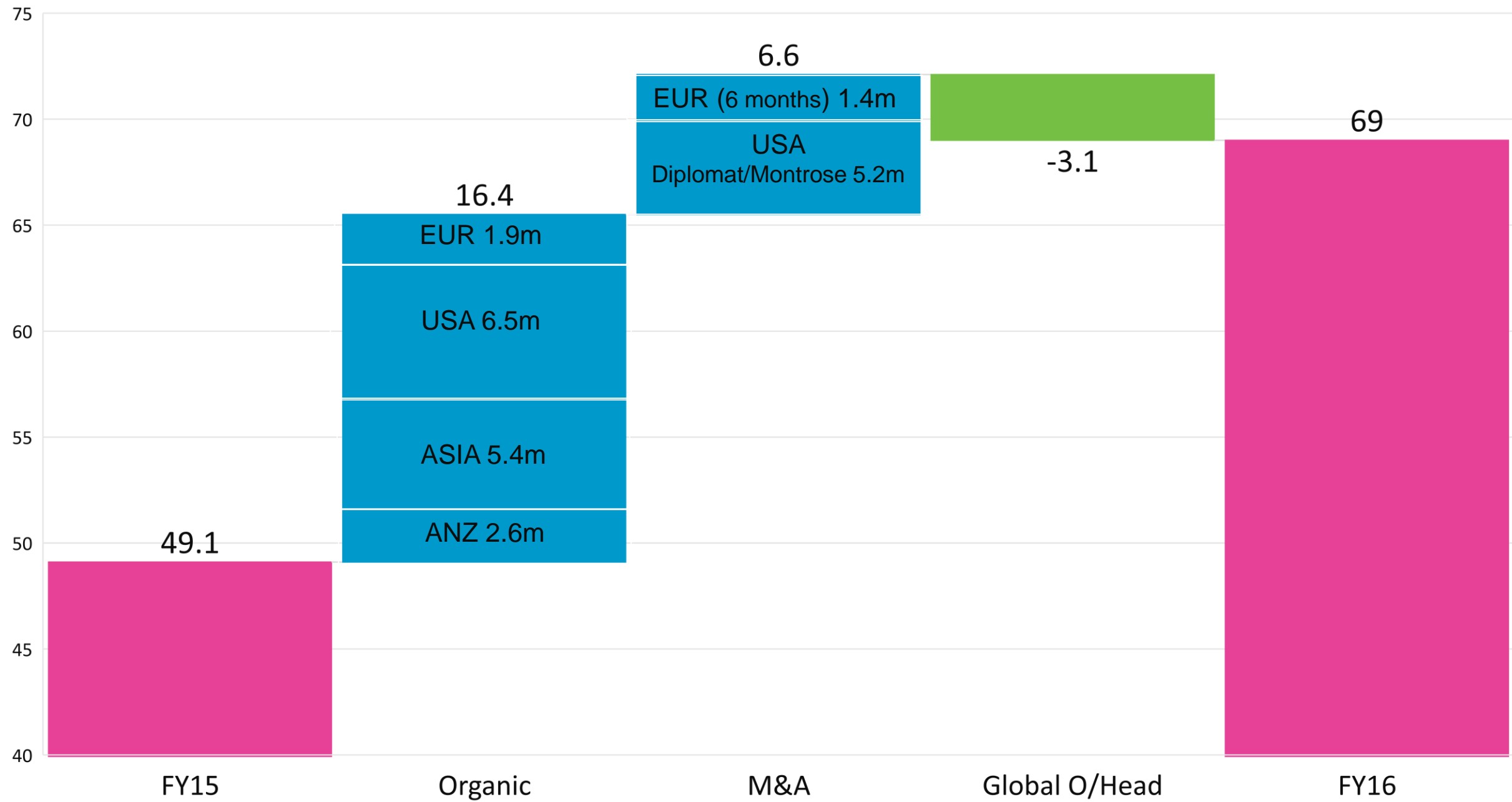


# Growth Profile



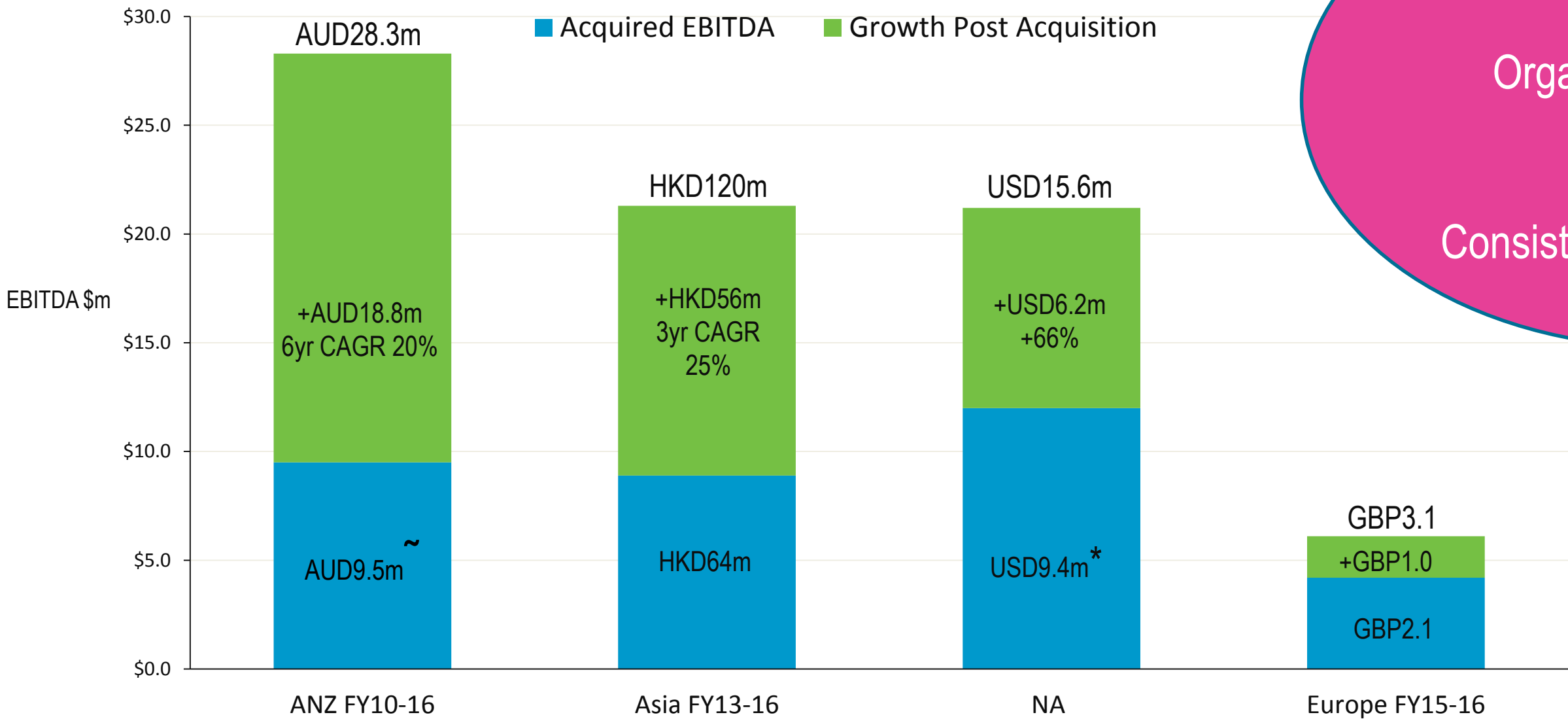


# Underlying FY16 EBITDA Growth Summary (\$m)



- Organic growth the catalyst for performance (\$16.4m of \$19.9m)
- Successful M&A integration
- FX negligible effect on EBITDA growth in FY16
- Increased global overhead costs a result of investment in technology suite and global supplier team

# Regional Growth Profile Post Acquisition – Underlying EBITDA Local Currency



Integration execution

Organic growth post-acquisition

Consistent business model

~ ANZ - EBITDA since IPO FY10:

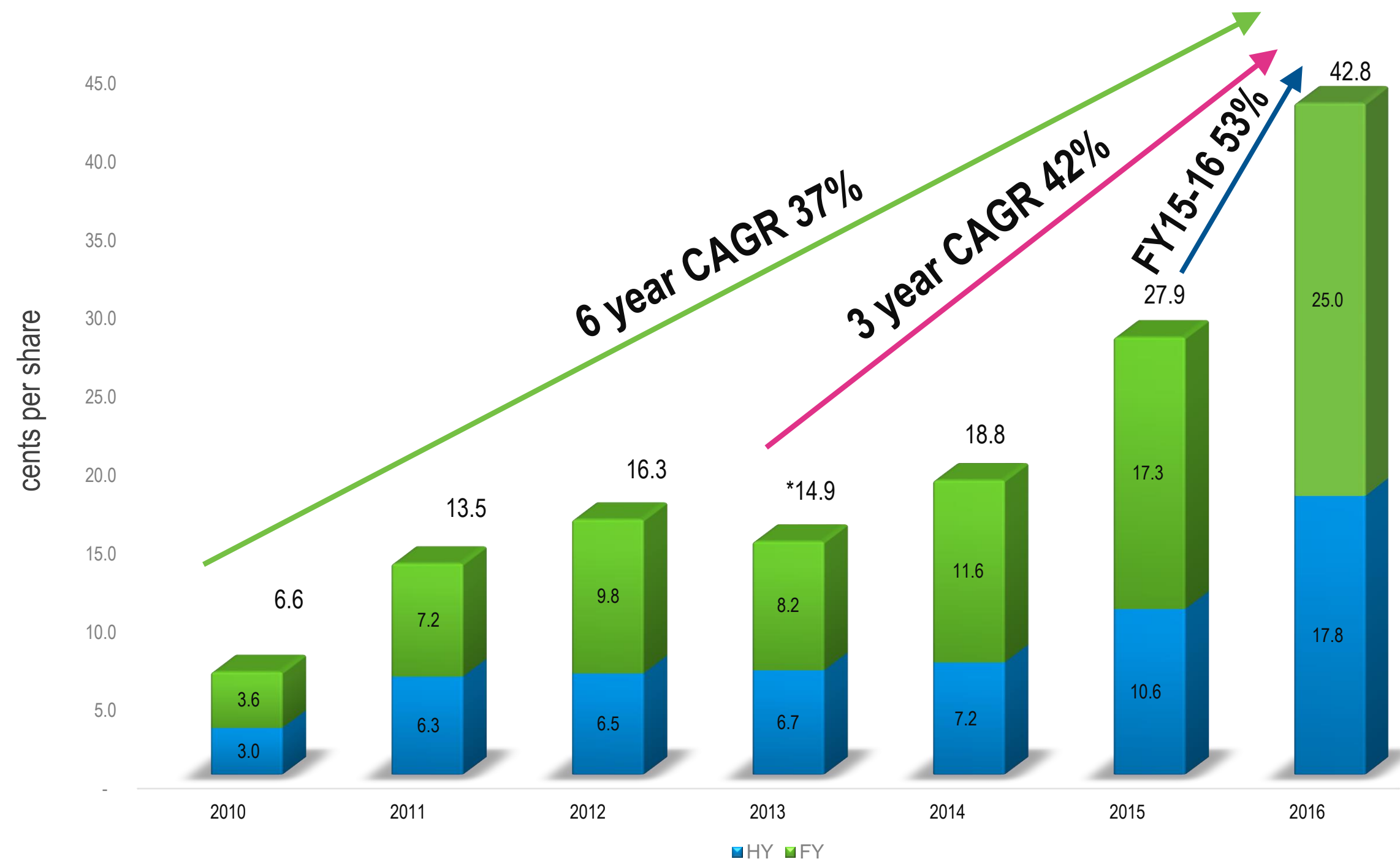
EBITDA FY10	5.6m
ETM 2011	1.7m
Travelcorp 2011	2.0m
Cavalier (NZ) 2010	0.2m
Total Baseline incl. acquisitions	9.5m

\* NA - EBITDA contribution at acquisition date

R&A Travel 2012	USD1.0m
TravelCorp 2013	USD1.9m
USTravel 2014	USD1.05m
Avia Travel 2014	USD0.75m
Diplomat Travel 2015	USD1.85m
Montrose Travel 2016	USD2.85 (FY16 - 6 mth cont.)
Total baseline of acquisitions	USD9.4m



# EPS Growth (diluted) Since IPO December 2010



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



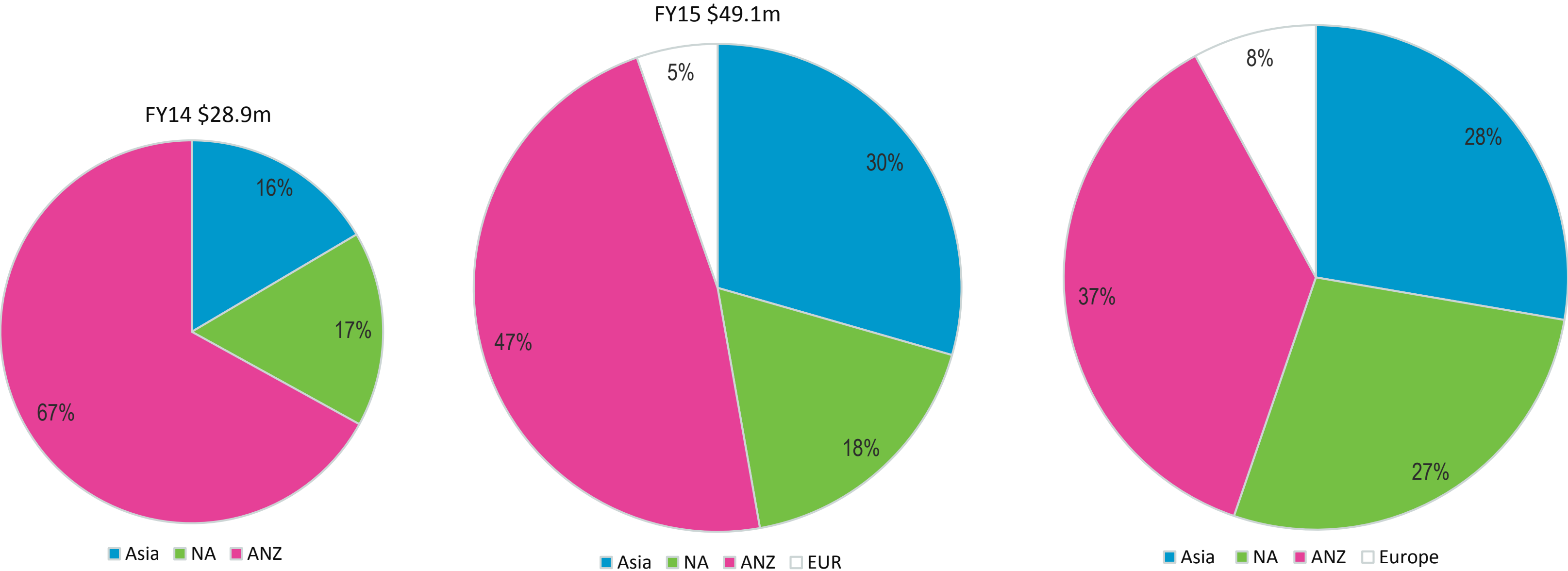
# P&L by Region





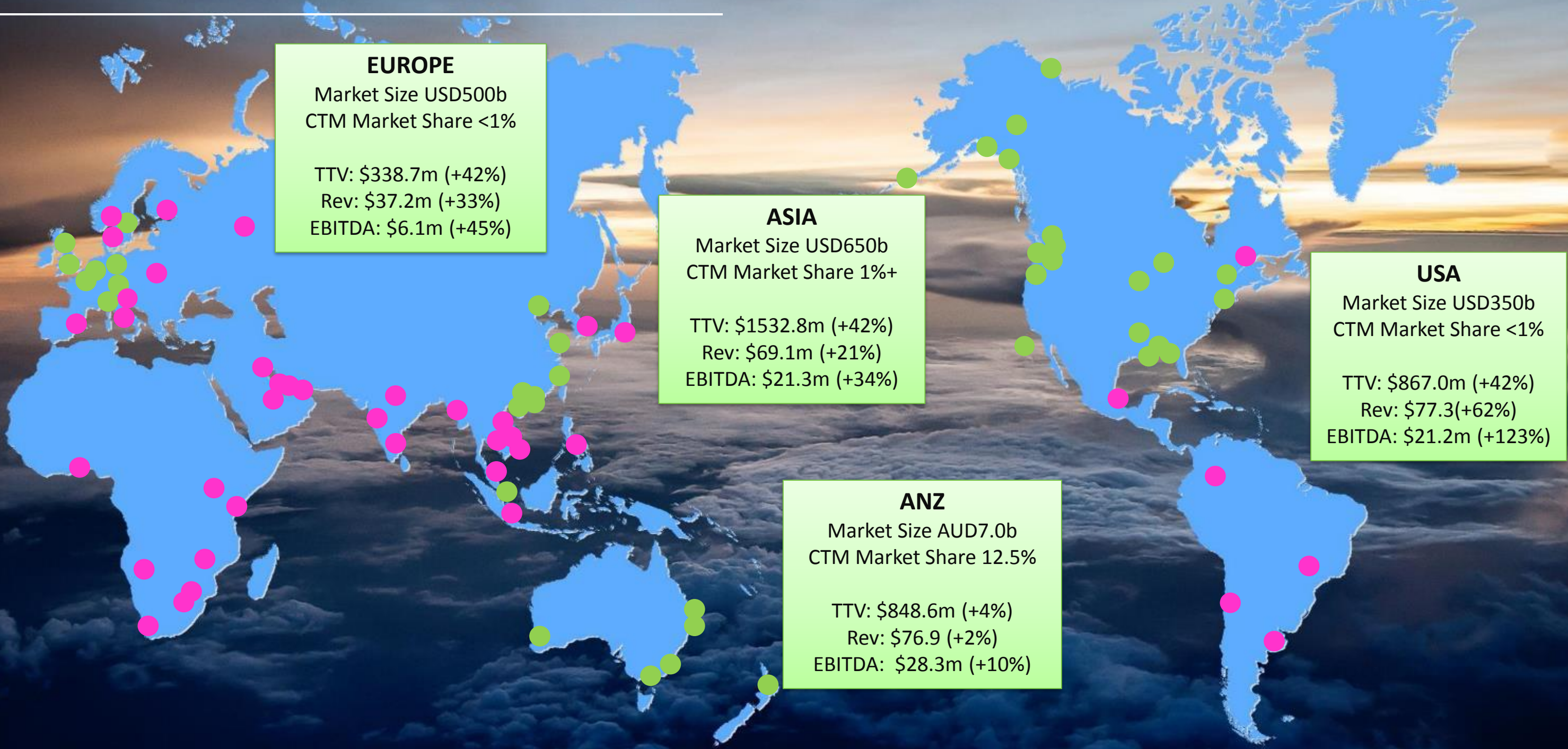
# EBITDA Contribution by Region\*

\* Before global overhead costs



Building diversity through offshore expansion

# CTM Global Footprint and Performance Overview - FY16 (AUD)



● CTM office  
● Partner office

Market size estimated at USD1.4 trillion, growing at USD40bn p.a.  
Operating out of 53 countries, employing over 2200 FTE



Underlying EBITDA up 10% on the p.c.p.:

- Strong client wins, despite difficult economic conditions, and activity decline in resource clients
- Significant client move to CTM SMART Technology suite. 80% of all client transactions are on-line
- EBITDA margin expansion due to seamless end-to-end automation and integration with travel consultants
- Remain highly leveraged to economic recovery

**FY17 Outlook:**

- Expecting a stronger growth year than FY16 despite economy, due to record new client wins in CY16
- B2B and B2C opportunities provide additional levers of growth
- ANZ has potential to be a significant contributor to group growth in FY17

	\$AUD (m)	ANZ		
		FY2016	FY2015	% Change
TTV		848.6m	813.8m	4%
Revenue		76.9m	75.6m	2%
Yield % of TTV		9.1%	9.3%	
Underlying EBITDA		28.3m	25.7m	10%
% of Revenue		36.8%	34.0%	

## Asia

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

- Strong growth in the corporate and wholesale segments. Outperforming the market on all fronts despite a tough economy
- Benefiting from global footprint through servicing and leading global business wins
- Lower yield due to greater wholesale mix in FY16

### FY17 Outlook:

- Coming off very strong comps in FY16, expecting single digit growth only
- Management has a strong track record of execution

\$AUD (m)	ASIA		
	FY2016	FY2015	% Change
TTV (unaudited)	1,532.8m	1082.0m	42%
Revenue	69.1m	57.3m	21%
Yield % of TTV	4.5%	5.3%	
Underlying EBITDA	21.3m	15.9m	34%
% of Revenue	30.8%	27.7%	



# North America

Underlying EBITDA up 123% on the p.c.p.:

- An excellent half of execution, via a combination of
  - New corporate client wins
  - Integration success combined with leveraging scale
  - Strong growth in Loyalty segment, a new growth lever for CTM
- Building a strong management team that understand, and are applying the CTM business acumen, translating into high growth/seamless delivery

**FY17 Outlook:**

- Rollout of technology, optimum size and scale expected to translate into a strong growth year ahead. CTM has arrived in the USA
- Additionally, Boston will contribute to the region in FY17 (no contribution FY16)
- Energy clients down annualized USD\$45m in FY16, have since steadied. Low exposure to Finance segment (Brexit)
- Continuing to actively look at further accretive acquisitions
- Expect strong seasonal skew to 2H

\$AUD (m)	North America		
	FY2016	FY2015	% Change
TTV (unaudited)	867.0m	612.9m	41%
Revenue	77.3m	47.6m	62%
Yield % of TTV	8.9%	7.8%	
Underlying EBITDA	21.2m	9.5m	123%
% of Revenue	27.4%	20.0%	

# Return on Investment Capital North America, including earn-outs – USD

AGENT ACQUIRED	COST INCLUDING EARNOUT \$USD
R& A Travel 2012	9.4m
Travelcorp 2012	20.1m
USTRavel 2014	8.0m
Avia 2014	9.0m
Diplomat 2015	7.5m
Montrose 2016 (initial consideration only)	34.5m
Total outlay for USA acquisitions, including earn-outs	88.5m
EBITDA @ 30 June 2017(\$15.6m), annualised for 6 months of Montrose (+\$2.85m)	18.45m
Return on Investment Capital	21%



\* Excludes Travizon, purchased post balance sheet date



# UK/Europe

- Strong client wins. Region playing an integral role to CTM group’s success in regional and global client wins
- Brexit uncertainty pre-vote had a significant effect on client activity (activity declined 20% in last 4 months of FY16)
- Highly motivated management team focussed upon growth, technology and scalability

## FY17 Outlook:

- Client activity has largely recovered post Brexit vote
- Brexit expectations - low exposure to Finance/Construction/Property segment and Europe not a material part of the group (under 9%)
- Focus upon applying proven CTM business model that has been so successful in all other CTM regions for the benefit of clients
- Potential to have strong growth year in local currency. Expect seasonal skew to 2H
- Brexit creating M&A opportunities, market share gains for CTM

\$AUD (m)	Europe		
	FY2016	FY2015*	% Change
TTV (unaudited)	338.7m	239.3m	42%
Revenue	37.2m	28.0m	33%
Yield % of TTV	11.0%	11.7%	
Underlying EBITDA	6.1m	4.2m	45%
% of Revenue	16.4%	15.0%	
* Includes six month’s result prior to date of acquisition for comparative purposes.			



# Group Financial Performance





## Comparative Statutory Profit and Loss

- Strong organic growth across the Group
- Increased EBITDA margin resulting from integration execution, automation and buying power
- Increased amortisation and depreciation due to impact of M&A activity. Of the total amortisation of \$7.8m, \$6.5m relates to client intangibles as part of acquisition accounting, which is a non cash amount
- Increased interest expense as a result of M&A funding by short term debt
- Effective tax rate of 21%. Expecting effective tax rate of circa 25-26% moving forward
- FX impact negligible upon FY16 EBITDA
- Includes global overhead costs of \$7.9m (primarily increased spend in client technology and global supplier team expenses)

\$AUD (m)	FY2016	% Change	FY2015
TTV (unaudited)	3,587	35%	2,656
Revenue and Other Income	264.8	34%	197.9
Operating Expenses	(194.7)	30%	(150.2)
<b>EBITDA - statutory</b>	<b>70.1</b>	<b>47%</b>	<b>47.7</b>
Depreciation	(2.7)		(1.9)
<b>Amortisation</b>	<b>(7.8)</b>		<b>(5.6)</b>
EBIT	59.6	48%	40.2
Finance Costs	(1.8)		(0.9)
NPBT	57.8		39.3
Tax	(12.1)		(10.2)
Statutory NPAT	45.7	57%	29.1
Statutory NPAT – attributable to owners of CTD	42.1	60%	26.4
<b>Adjusted NPAT- attributable to owners of CTD (excluding acquisition amortization)</b>	<b>48.6</b>	<b>58%</b>	<b>30.8</b>
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## Group Balance Sheet

- Receivables and payables increased in line with business growth
- Intangibles increase is largely goodwill on Montrose USA acquisition
- Approximately \$62m relates to deferred consideration on M&A included in both current and non-current liabilities. Assumes full earn-outs are achieved

\$AUD (m)	June 2016	June 2015
Cash	81.2	40.7
Receivables and other	173.0	158.0
<b>Total current assets</b>	<b>254.2</b>	<b>198.7</b>
PP&E	5.4	3.7
Intangibles	308.1	238.0
Other	2.4	-
<b>Total assets</b>	<b>570.1</b>	<b>440.4</b>
Payables	202.7	148.4
Other current liabilities	34.6	17.0
<b>Total current liabilities</b>	<b>237.3</b>	<b>165.4</b>
Non current liabilities	61.2	39.1
<b>Total liabilities</b>	<b>298.5</b>	<b>204.5</b>
<b>Net assets</b>	<b>271.6</b>	<b>235.9</b>



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

AUD \$m	1H17	2H17	1H18	2H18	1H19	2H19	Total
UK/Europe			10.3m		16.5m		26.8m
California		35.4m					35.4m
Boston	27.4m		20.3m				47.7m
TOTAL	27.4m	35.4m	30.6m		16.5m		109.9m
Cash component	13.7m	17.7m	25.4m		8.2m		65.0m
Stock	13.7m	17.7m	5.2m		8.3m		44.9m

Chart represents maximum amount payable should full earn-out be achieved. XR AUD1.0= USD0.74, GBP0.575

- Boston already paid 1 July 2016 entirely from cash flow
- Expectation that future earn-outs funded from cash flow/ short term US denominated debt. Maximum additional AUD51.3m cash payable through FY19

# Operating Cash Conversion

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Cash flows from operating activities	\$70.2m
Add back: tax and interest	\$13.4m
<b>Total operating cash conversion</b>	<b>\$83.6m</b>
 FY16 Underlying EBITDA	 \$69.0m
 <b>Operating cash Conversion %</b>	 <b>121%</b>
 <b>Conversion %</b> excluding FY15 one-offs:	
• \$14.0m relating to working capital deposit reversals, supplier payment delay	101%



## Cash Flow Summary

- **Strong operating cash flow conversion over 120%**
- Timing of BSP payments has largest impact on operating cash flow, but are immediate term timing differences (1-7 days) only
- UK BSP cycle moved to bi-monthly (previously monthly) from 1 July 2016, not expected to be material
- Investing cash flows relate to USA M&A
- Short term borrowings used to fund Montrose acquisition
- Travizon acquisition 1 July 2016 funded entirely through working capital
- 2016 Capex investment predominantly increase in technology expenditure to capitalise on global technology suite opportunities

\$AUD (m)	FY2016	FY2015
EBITDA	70.1	47.7
Non cash items	(2.6)	-
<b>Change in working capital</b>	<b>16.0</b>	<b>(14.8)</b>
Income tax paid	(12.2)	(8.3)
Interest	(1.1)	(0.2)
<b>Cash flows from operating activities</b>	<b>70.2</b>	<b>24.4</b>
Capital expenditure	(8.2)	(3.0)
Other investing cash flows	(41.9)	(49.2)
<b>Cash flow from investing activities</b>	<b>(50.1)</b>	<b>(52.2)</b>
New equity	0	44.0
Dividends paid	(21.0)	(13.5)
Net (repayment)/drawing of borrowings	39.3	-
<b>Cash flow from financing activities</b>	<b>18.3</b>	<b>30.5</b>
FX Movements on cash balances	2.1	5.9
Net increase/(decrease) in cash	40.5	8.6



# CTM SMART Technology





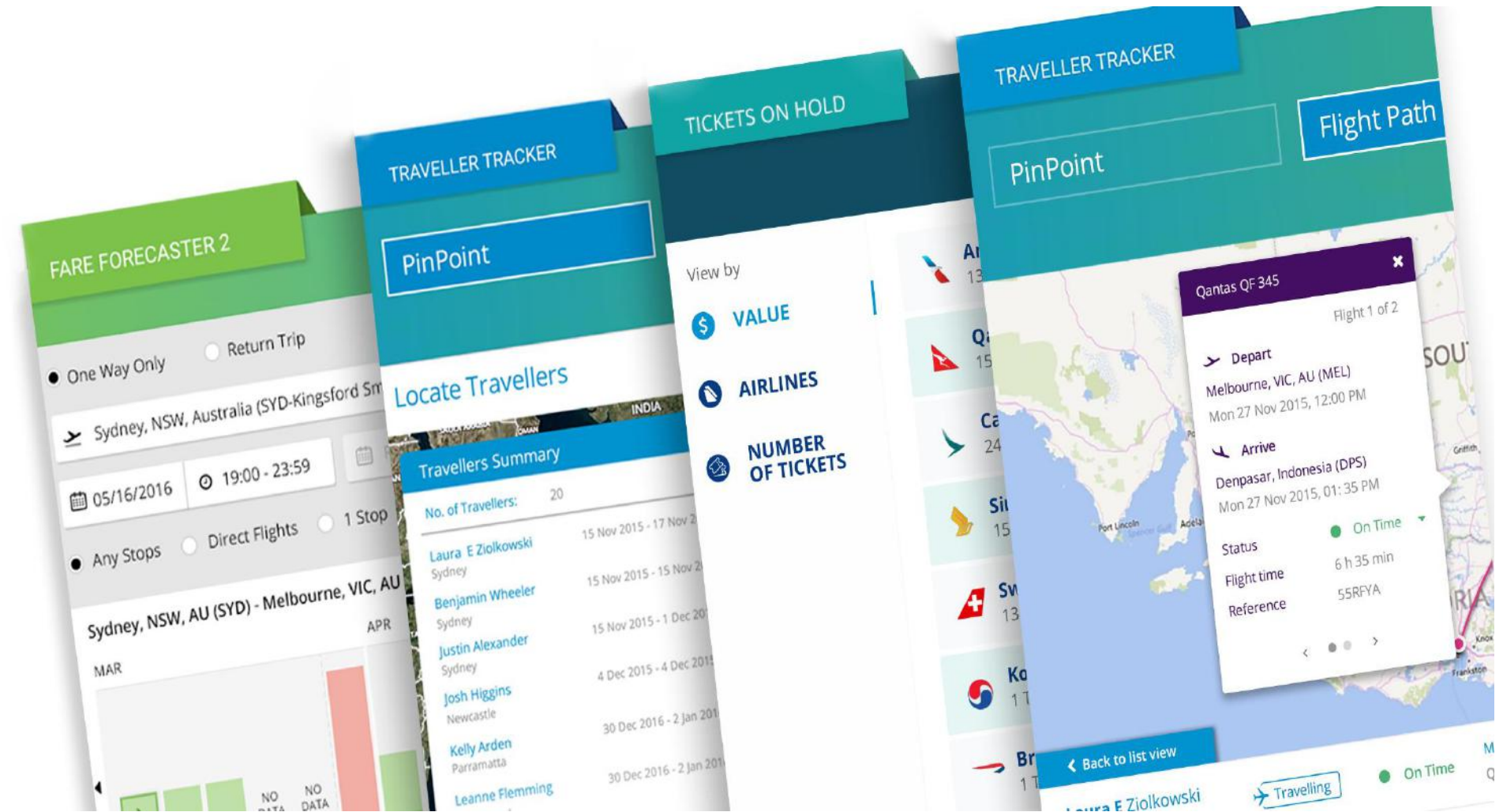
# CTM SMART Technology Framework

## World Class release process

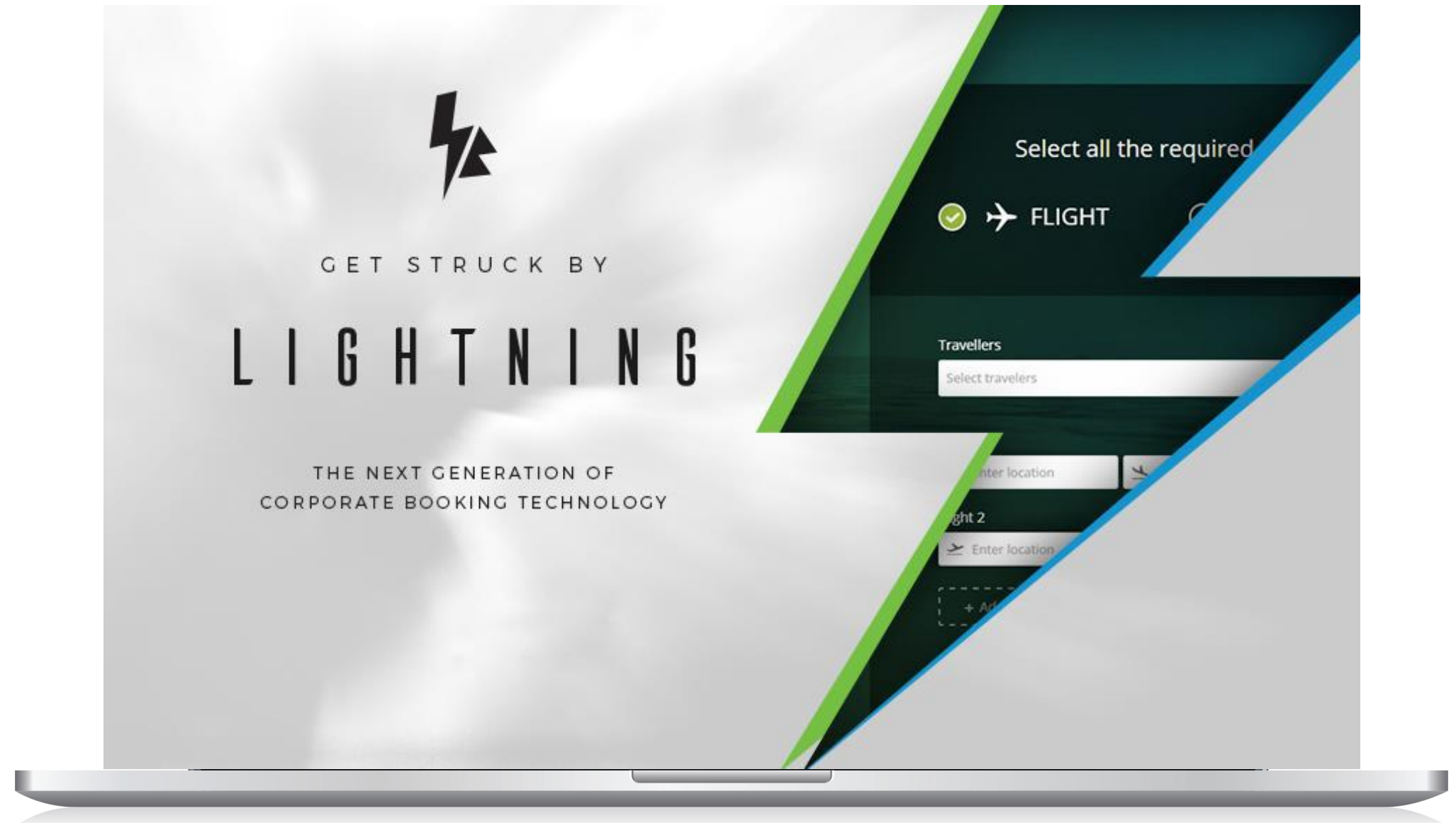
- Updates released every 2 weeks
- Developing with, and for our clients
- Focus on speed and usability across all devices
- Agnostic approach
- Significant development releases expected in FY17 in all CTM regions with “Industry Firsts”.

## Improved capabilities & Design from client feedback:

- Forecasting tools driving savings pre-trip
- Risk/Traveller Tracker
- Unused ticket credits
- Pre-trip approval
- Global rollout well underway with multi-country seamless solution



- CTM owned and developed
- Air, car, hotel
- Enhanced user experience
- Intuitive and quick
- Deployed in Australia
- Further deployment throughout FY17



## CTM Mobile – here and now

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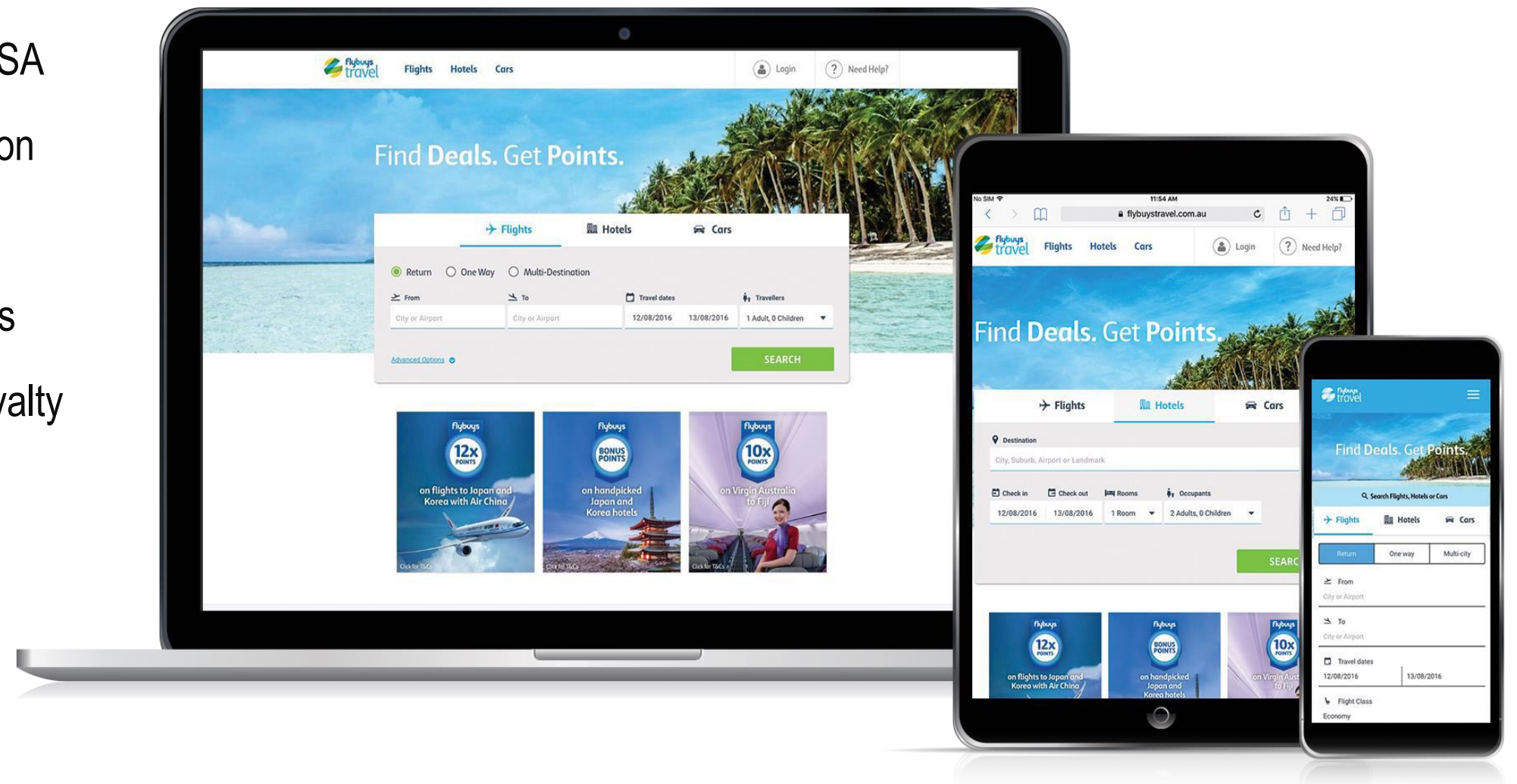
- End to end booking
- Any combination of flight, hotel and car
- Weather forecasts/ Currency conversion
- Continuous feedback loops with clients





# Loyalty Travel including Flybuystravel.com.au

- Consumer booking tools expansion in ANZ and USA
- Earn, book and redeem points in seamless solution
- Any combination of flights, hotels, car, packages
- Exclusive promotions to clients' rewards members
- Continuous development pipelines specific to Loyalty
- US expansion well underway
- Largely untapped global market
- Providing new growth lever for the Group





# FY17 Guidance



### **Guidance:**

- FY17 underlying EBITDA range of \$85-90m (23-30% growth on the p.c.p.)

### **Assumptions:**

- Foreign currency AUD cross rate averages USD0.74c during the year
- Assume flat client activity globally
- Excludes any future potential acquisitions



**corporate travel management.**

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