



ASX Release

6 November 2019

CTM CONFIRMS GUIDANCE

At the AGM today, CTM (ASX:CTD) confirmed its full year guidance of underlying EBITDA between \$165-175m¹, representing growth of approximately 10%-16.5% on the prior year.

Managing Director Jamie Pherous stated, “it is of no surprise that the macro environment is challenging and we indicated in August we expected this to be the case. In the face of this, our management continues to execute our strategy which pleasingly enables me to affirm guidance”.

Regional Highlights

ANZ:

- Despite client activity being patchy, a combination of new client wins and momentum from wins in the prior financial year are expected to translate into another solid 1H result.

EUROPE:

- The region has performed well in challenging conditions due to strong execution, record client wins, cost management and diversity in the CTM client portfolio.
- The region experienced month on month activity improvements since August, with October activity recovering to the same levels as the prior year, demonstrating that corporate activity can rebound quickly.
- Profit guidance provided in August prudently assumed uncertainty continuing during the entire first half.

¹ The underlying EBITDA guidance range is \$175.0m - \$185.0m following application of AASB 16 Leases.

- Despite this, CTM do expect EBITDA growth in 1H20, an exceptional result under the circumstances, demonstrating the superior value proposition in Europe and management's continued ability to execute.

ASIA:

- The region has faced unique challenges in Hong Kong.
- The region is showing more positive signs, but client activity is still below the p.c.p.
- Our guidance assumptions in August assumed the impact continued during the entire first half.
- The team is executing very well with client wins at record rates and technology take-up gaining momentum. The Lotus integration has enabled improved supplier negotiations and cost reductions.
- Whilst 1H conditions have been challenging to date, CTM do expect a positive comparative full year result given the very weak outcome in 2H19, integration benefits, and the momentum from client wins across all segments of the business.

USA:

- As previously indicated, CTM continue to invest to support long term sustainable growth.
- CTM technology adoption remains a core focus in North America. Pleasingly our proprietary technology is consistently cited as a deciding factor in new client wins.
- New clients signing up to the lightning on-line booking tool (OBT) each week, with strategy to move clients from a legacy third party system to Lightning complete.
- CTM expect EBITDA to be slightly down for 1H20, however CTM do expect a stronger 2H20 with client wins from technology and a planned reduction in costs to translate into higher comparative full year result.

GROUP:

- Global overhead costs will have a stepped change as a result of building out a team to best support the business strategy over the longer term, including additional group Board and executive costs, consulting, and insurance costs. These costs have been accounted for in reaffirming our full year guidance.
- CTM expect group costs to be relatively flat in future years.

Technology Strategy

CTM's technology strategy is to create technology in region for region. We have 4 regional technology hubs that work together within our framework supporting our local, regional and global client needs. This strategy allows us to deliver regional requirements and prioritise customer needs. Our ability to build and deploy our own customer tools ensures an improved customer experience whilst enabling us to have a greater speed to market with new features and functions.

Key Highlights:

- **Distribution**
 - Development of our own Content Management Systems, allowing us to aggregate content from a variety of sources, ensures our customers have the most relevant content available to them.
 - New Distribution Capability (NDC) – certification on NDC in 3 of 4 regions.
 - Live unique NDC content being booked through CTM. With CTM the first Travel Management Company to integrate with the new Qantas Distribution Platform.
- **Regional Functionality**
 - Multi language & currency capabilities in Lightning proprietary on-line booking tool
 - Rail integrations
 - Customer and analytical feedback loops driving roadmaps

- **Scale**
 - Adoption rates increasing on CTM-developed products in all regions.
 - Significant uplift in capability and capacity within regional tech hubs over FY19.
 - Utilisation of Agile methodology to enable speed to market on new features and customer centricity.
 - Global data warehouse, providing one source of data for tracking and trending, enabling CTM to identify client savings, supplier opportunities and data analysis

Summary

- Reaffirming full year guidance of underlying EBITDA between \$165-175m¹, representing growth of approximately 10%-16.5% on the prior year.
- Historically, the business has had a higher comparative EBITDA in the second half relative to the first half.
- Comparatively, CTM expect a slightly higher performance in 2H20 than the normal range due to:
 - Improvement in the macro economic factors most significantly in Europe and Asia.
 - Coming off strong 1H comps and very weak 2H comps, particularly March-June weakness last year.
- Refer to guidance assumptions on page 15 of the Managing Directors AGM presentation.

Despite the macro-economic factors, CTM continues to focus upon enhancing its value proposition to customers to ensure a sustainable competitive advantage over the long term.

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