



ASX Announcement

7 May 2020

Covenant Waiver and Market Update

Covenant waiver on existing facility

Corporate Travel Management (CTM, ASX:CTD) is pleased to announce that it remains in a strong liquidity position and has reached agreement with its existing banking group to waive all financial covenants for calendar year 2020.

The following key terms have been agreed:

- Waiver of all financial covenants for CY2020 including the removal of COVID-19 from MAE definition
- Covenant testing for the period ending 30 June 2021 to be based on 2H21 performance
- Total facility £100 million (circa AUD200 million) reduced by £25 million from £125 million
- Facility term maturity remains August 2022

Managing Director Jamie Pherous said “We are pleased with the continued support of our banking group and the outcome that we have achieved. As at today, we are in a net cash position of approximately \$30 million (net of client cash) and when combined with the revised banking facility terms and low cash burn, we remain in a strong liquidity position and are well placed to rebound once travel resumes.”

Market Update: Macquarie Australia Conference Presentation

Attached is a market update that Managing Director Jamie Pherous will present today at the Macquarie Australia Conference.

Authorised for release by the Board.

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MARKET UPDATE

MACQUARIE AUSTRALIA CONFERENCE 2020

Presenter: Jamie Pherous, Managing Director
Date: 07 May 2020

www.travelctm.com



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CTM model - strengths in a Covid-19 environment

Model	Characteristics	Advantages
Capital light model	<ul style="list-style-type: none"> Over 70% of costs are people related 50% of remaining costs are variable Small physical footprint 	<ul style="list-style-type: none"> Enable a swift re-sizing of the business Enable CTM to retain more staff for a ramp-up
Highly leveraged to domestic, on-line and CTM proprietary technology	<p>Pre Covid-19:</p> <ul style="list-style-type: none"> Domestic travel* is approximately 60% of Group revenues 75% of domestic transactions are booked on-line. (ANZ and EUR 90%+) The majority of on-line transactions are via CTM proprietary booking tools 	<ul style="list-style-type: none"> High profitability on return of domestic activity, especially ANZ/EUR regions
Shut down period – meaningful designated essential travel clients	<ul style="list-style-type: none"> Examples include government (1/6 of global client base), healthcare, mining, fly in fly out (FIFO) business, fisheries, construction and infrastructure Predominately large scale charter and temporary hotel operations given travel shutdowns 	<ul style="list-style-type: none"> CTM revenues are 10%-15% of normal volumes compared to market activity of 5% Work being completed is ill suited to a call centre style operation and reinforces CTM's value proposition
Cash flow	<ul style="list-style-type: none"> Corporate travel is typically short notice bookings with short term working capital cycles and deposits are uncommon 	<ul style="list-style-type: none"> Positive operating cash flow
Bad debts	<ul style="list-style-type: none"> Most of CTM's clients pay by credit card or card system, particularly SME clients Clients on terms are typically high quality (Top 10 include government, banking) 	<ul style="list-style-type: none"> Client bad debt exposure is low in current cycle and is historically low Bad debt is majority supplier failures, approx. \$10m

* Domestic travel is travel solely within a country, being Australia, New Zealand, UK and the USA, respectively.

Liquidity position – available funds.

Covenant waiver on existing facility

- Waiver of all financial covenants for CY2020 including the removal of Covid-19 from MAE definition
- Covenant testing for June 21 based on 2H21 performance
- Facility reduction from £125m to £100m (circa AUD200m)
- Expiry remains in August 2022

Improved liquidity position

- Net cash @ 7 May approximately \$30m (net of client cash)
- Net cash position improved following strong receivables collection in March and April

Liquidity position – cash burn.

Cost reduction initiatives

- Cost base from 1 April, **\$10-\$12m/month** (down from \$26-27m/month pre-Covid19)
- Achieved through a combination of retrenchment, temporary stand downs, shorter working weeks and salary reductions, government initiatives e.g. JobKeeper, elimination of non-essential expenditure, reduced capex, now focused on domestic technology development
- Currently approx. 1200 FTE staff
- \$11m redundancy charge taken March 20

Revenue and domestic leverage

- Revenue range from 1 April, **\$2-\$5m/month**
- Revenue towards the higher end of the range, due to essential travel clients; primarily charters and accommodation

Resulting cash burn

- **Cash burn of \$5-\$10m/month incl. capex \$0.5m - \$1m/month**
- Trading currently towards the bottom end
- Capex \$0.5m-\$1m per month
- March 2020 underlying EBITDA loss \$3.2m (unaudited management accounts)

Positioning for a domestic recovery.

Figure 1: Pre-Covid19 Group monthly revenues approx \$42m*



Figure 2: Domestic booking breakdown

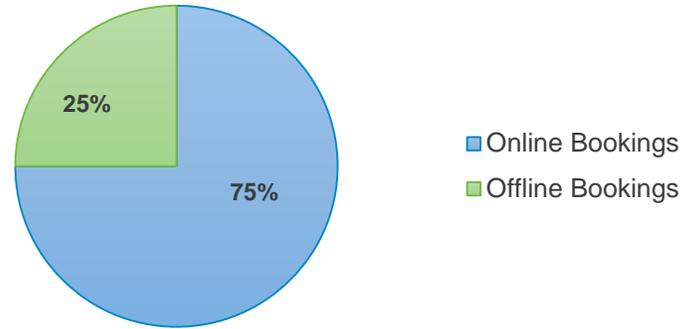


Figure 1: Domestic revenues

- Approx. 60% of Group revenues relate to domestic travel
- Domestic revenue split equally across ANZ/EUR/USA
- **Ability to operate a high performing domestic only business, with the current reduced cost base until international recovers**

Figure 2: Domestic on-line

- 3 of every 4 domestic bookings are made on-line (high revenue per FTE)
- ANZ and EUR are 90%+ on-line domestic
- Majority of on-line bookings are via CTM proprietary on-line tools (low cost per transaction vs 3rd party tools)

Outcomes:

- Current cash burn lower end of \$5-10m/month
- Low break-even and swift return to profitability via modest domestic activity only
- Current workforce is sized for a recovery in domestic, as a minimum
- Gradual cost increase with reinstatement of full salary/full working weeks as activity returns
- China was first in-first out. Since mid-March, China airline domestic utilisation has recovered to approximately 47% of 2019 volumes (source link: [flightradar24](#))
- Key catalysts to break-even or profitability:
 - ANZ domestic
 - UK/USA domestic
 - Greater China/Trans-Tasman travel bubble

* 1H20 actual revenue, seasonally adjusted for historic 2H skew, plus CTP acquisition

Current initiatives.

Phase one Adjust cost, protect people & customers

- Implemented new operating framework to drive accountability, simplicity and savings outcomes
- Global team meeting twice per week since March
- **Key focus items:**
 - Savings initiatives
 - Employee communications
 - Client engagement
 - Supplier engagement
 - Finance initiatives

Phase two Preparing for return

Working with partners, suppliers and clients to ensure their needs are met to confidently return to travel

Clients returning to travel:

CTM global client surveys confirm the vast majority of customers want to return to travel but top concerns are:

- Staff health and wellbeing
- Understanding revised client policy and restrictions on travel
- Additional services and processing needed for a trip

CTM are preparing for support through:

- Technology to drive enhanced servicing and up to date information, additional approval functionality
- Staff support to assist travellers
- Supplier collaboration

Phase three Scaling up

- Staff capacity in each region ready to be deployed back to full time hours as required
- Tech hub development to incorporate additional functionality and information for post Covid-19 travel needs
- Proprietary tools allow rapid development of new features specific to each market

Summary.

- **Strong liquidity position.** \$30m net cash @7 May with committed facility of approx. AUD\$200m
- **Relatively low monthly cash burn** of \$5-10m/month. Currently at the lower end of cash burn range
- **Resilient business model** that is highly flexible, capital light and can ramp up/down quickly as required
- **Positioned for domestic recovery.** Can return to profitability with a modest recovery in domestic travel
- **Investing in our technology platforms and feedback loops** to deliver new solutions as required
- **Our total client base has increased throughout the Covid-19 period.** The number of clients has increased through new client wins, retentions and extensions of contracts



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