

ASX Announcement

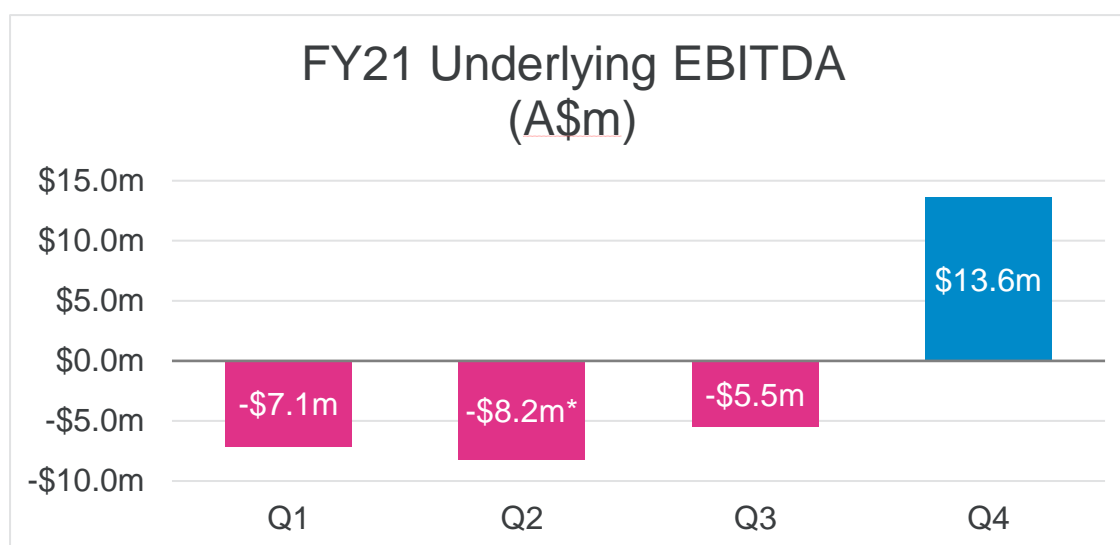
18 August 2021

Corporate Travel Management - FY21 results

Recovery underway – rapid return to positive underlying EBITDA in 4Q21

Corporate Travel Management (CTM, ASX: CTD) experienced a rapid return to positive underlying EBITDA in the fourth quarter of the financial year, led by the Group's increasing exposure to recovery momentum in North America and Europe.

Whilst the Group reported an underlying EBITDA loss of \$7.2m for the full year, CTM posted a \$13.6m fourth quarter underlying EBITDA profit, representing a \$19.1m turnaround on the previous quarter, and enabling a positive 2H21 underlying EBITDA result of \$8.1m.



* Acquired Travel and Transport 30 October 2020

CTM finished the year with no debt and cash of \$99.0m. Given this strong balance sheet position and the recovery of the underlying business, CTM chose to reduce its unused credit facility from \$180.0m to \$110.6m (GBP100m to GBP60m) during the second half. CTM is targeting a return to dividend payments in calendar 2022.

CTM will be a much larger business post-COVID travel restrictions, following the acquisition of Travel & Transport (T&T) on 30 October 2020. The company's value proposition of expert service, leading technology and measurable return on investment is increasingly relevant for clients in the current complex travel environment, driving market share gains in CTM's key markets. North America and Europe currently generate close to 80% of Group revenue, compared to 72% of pre-COVID pro forma 2019 revenue.

Highlights

Improving earnings performance, following transformational acquisition

	\$AUD(m)	FY20	1H21	2H21	FY21	HoH Change	YoY Change
TTV		4,561.8	403.8	1,205.6	1,609.4	199%	(65%)
Revenue & Other Income		349.9	74.2	126.3	200.5	70%	(43%)
Underlying EBITDA ¹		74.4 ³	(15.3) ⁴	8.1	(7.2)	153%	(110%)
Underlying NPAT ²		28.4			(33.4)		(218%)
Statutory NPAT		(10.6)			(57.8)		(445%)

Rapid rebound in corporate travel activity led by CTM's key markets of NA and EU

- \$74.1m revenue was generated in 4Q21, led by rapid recovery in North America and Europe, CTM's largest regions
- North America led CTM new client wins throughout CY21
- Strong synergy realisation from the T&T acquisition, delivering as planned
- Post year end, July delivered a record post-COVID revenue result, defying the seasonal activity reduction in North America and Europe during the seasonal vacation period
- ANZ region was profitable throughout FY21 despite continuing border closures

Maintained strong liquidity position

- No debt
- \$99m cash
- Voluntary reduction in unused credit facility to GBP60m (A\$110.6m)
- No final dividend – targeting return to dividends in CY22

¹ Excluding tax, one-off acquisition, and non-recurring costs of \$23.1m (FY20: \$10.6m)

² Excluding pre-tax non-recurring costs of \$24.0m (FY20: \$44.7m) and client relationships amortisation of \$8.0m (FY20: \$6.3m)

³ Includes AASB 16 Leases

⁴ Adjusted by \$0.4m for entities divested in 2H21

Managing Director, Jamie Pherous said, "We returned to positive underlying EBITDA in the second half because of a rapid turnaround in fourth quarter activity from North America and Europe. Significant progress in administering vaccines and reopening the economy in these regions gives us reason to be optimistic about FY22.

"We continue to see encouraging signs that momentum is building in these regions. July has delivered a record revenue result post-COVID. The integration of Travel & Transport is progressing well and has helped us to capitalise on the momentum in North America and grow our exposure to the world's largest travel market.

"We offer our clients expert service, intuitive and relevant technology and measurable returns on their travel investments, which resonates with buyers now more than ever because of the current complexities of travel.

"We moved quickly to reduce costs in FY20 and have successfully managed to balance cost discipline with service levels, so we are in a strong financial position to continue investing in our technology solutions and exploring value-adding acquisition opportunities.

“After the Travel & Transport acquisition, CTM is now estimated to be the world’s fourth largest global travel management company. Through our recent acquisitions, realised synergies, and permanent reductions to our cost base we expect the business will deliver material accretion to Group earnings post-COVID.”

Momentum across key regions of North America and Europe

North America was the largest region in terms of Group revenue and other income (\$96.0m) and new client wins. Increased scale and the alignment of the T&T operating model with CTM North America have led to market share gains in this important market. The region’s rapid recovery meant 4Q21 revenues grew 47% versus 3Q to \$39.6m resulting in a return to underlying EBITDA of \$4.9m in the last quarter. This revenue momentum continued into July, defying a typical seasonal vacation slow down.

Revenue and other income of \$42.0m in Europe in FY21 was delivered by a combination of project wins, logistics clients, and ongoing essential travel, despite the lockdown in the UK during the second half. Domestic travel is quickly recovering in the UK, and the trend is expected to accelerate across Europe after the summer vacation. Thanks to a strong \$12.3m underlying 2H21 EBITDA contribution, Europe turned a first half loss into an underlying \$10.1m EBITDA profit for the full year.

The lucrative Transatlantic and intra-European segments are opening or expected to re-open in the first half of FY22 and should materially contribute to Group revenue and profitability in both regions.

ANZ and Asia

The ANZ region remained profitable throughout FY21, reporting revenue and other income of \$42.0m and underlying EBITDA of \$7.7m, despite continued border closures. The constant lockdowns and closure of Sydney as a travel hub is limiting the national recovery. As a result, CTM expects any significant recovery to be delayed in the region until the Sydney corridor is opened to the rest of the east coast.

Despite this, the ANZ business remains resilient, experiencing strong recovery in volumes when border restrictions have been lifted, with travel activity in New Zealand currently over 150% of pre-COVID levels.

The trading environment in the Asia region remains challenging because of the reliance on international travel. With government support across the region ceasing at the end of March, CTM undertook additional cost reductions in March and April 2021. While CTM is growing market share in Asia, the region is expected to remain marginally loss-making until planned travel bubbles are opened.

Acquisition integration driving North America momentum

The integration of T&T is substantially complete, and the North America business is on track to be fully integrated by 30 June 2022. The alignment of operating culture, strategic vision and client focus has allowed the business to capitalise on the rebound in travel activity, with new client wins and cost reductions driving the return to underlying profitability in the fourth quarter.

CTM expects a further \$6m in costs to complete integration in FY22, with synergies forecast to be greater than expectations at the time of acquisition.

Competitive advantage through targeted technology investment

CTM's ability to leverage its proprietary technology to rapidly respond to changing client needs during the pandemic has been an important factor in growing market share. The Group continued to invest in its technology solutions during the financial year, with a focus on risk management, safety and hygiene information, budget optimisation tools, and traveller wellbeing. CTM expects software capital expenditure of approximately \$20m in FY22 to maintain its software leadership.

Our People

The Board and senior management team are mindful of the impact of the pandemic on our team members across the globe and we are grateful for their ability to adapt and remain focused on supporting clients. Unfortunately, the fall-out from COVID-19 led to the difficult decision in the second half of the year to make some roles redundant, particularly in Asia where travel activity has continued to be subdued.

Managing Director, Jamie Pherous said, "All of the people who left the business made valuable contributions to CTM and I would like to thank each one of them for their efforts. Since we reduced the size of our workforce in FY20, many former staff have chosen to return to CTM as travel activity has started to recover. This shows the strength of CTM's culture and I hope to welcome more people back to our team as business travel activity continues to improve."

Acquisition opportunities

The Group continues to assess niche acquisition opportunities that support the global strategy.

Outlook

Guidance and activity update:

Given the uncertainty of government decisions on border restrictions and travel supply, CTM is not able to offer FY22 profit guidance.

CTM is targeting a return to dividend payments in CY22.

FY22 Key Expectations:

- 1. 1Q22.** Expect continued positive underlying EBITDA, noting 1Q is typically the softest quarter due to the northern hemisphere summer vacation. July delivered a record revenue result post-COVID, defying the seasonal impacts.
- 2. 2Q22.** Expect building underlying EBITDA as North America and UK/Europe return to offices after the summer vacation in September.

3. 2H22. Expect a stronger than normal seasonal profit skew (historical 2H EBITDA skew 67%), due to the following factors:

- North America and UK **domestic** to recover rapidly post summer vacation as clients return to offices in September, delivering a more meaningful 2H22 contribution
- Lucrative Transatlantic, and intra-Europe travel expected to open up further in 1H22 delivering a more meaningful 2H22 contribution
- Vaccinations to allow for a more predictable and sustainably strong Australian domestic travel environment in 2H22

Annual General Meeting

CTM will hold its 2021 Annual General Meeting on Thursday, 28 October 2021 commencing at 11:00am (AEST) / 12:00pm (AEDT). Due to the continuing developments in relation to travel restrictions, limitations on public gatherings and social distancing requirements, this year's AGM will again be held as a virtual meeting. Further details regarding the 2021 AGM, including details on how to join the meeting, will be provided with the Notice of Meeting, which will be available in late September. We encourage shareholders to monitor the ASX and CTM's website for any updates prior to the meeting.

The closing date for receipt of nominations from persons wishing to be considered for election as a director is Thursday, 9 September 2021.

Authorised for release by the Board.

-ENDS-

For further information

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