



ASX Announcement

15 February 2023

Corporate Travel Management – 1H23 results

Full-year underlying EBITDA guidance \$160-\$180m

Highlights

- 1H23 Underlying EBITDA¹ of \$51.3m, PBT^{1,2} \$30.4m, underlying NPAT³ \$22.1m.
- Generating fast-growing PBT and NPAT, reinforcing CTM's recovery and return to 'business as usual' ahead of peers.
- Full-year guidance: underlying EBITDA¹ \$160-\$180m, underlying PBT^{1,2} \$120-\$140m. Both would be record results, surpassing FY19.
- Financial strength: \$110.3m cash, zero debt.
- Strong client wins: >97% client retention.
- Interim unfranked dividend of 6.0c per share, payable 14 April 2023. Follows unfranked 5.0c per share FY22 final dividend as recovery continues.

Key Statistics

A\$ millions, unless stated otherwise.

	1H23	1H22	Variance
TTV	4,199.0	2083.1	102%
Revenue & other income	291.9	163.0	79%
EBITDA – underlying ¹	51.3	18.2	182%
PBT – underlying ^{1,2}	30.4	(0.6)	n.m.
NPAT – underlying ³	22.1	(0.4)	n.m.
NPAT – statutory, attributable to owners of CTD	15.7	(10.0)	n.m.
Dividend (cents per share)	6.0	0	n.m.

CTM today reported underlying EBITDA¹ for 1H23 of \$51.3 million, increasing from \$18.2m million in 1H22. This result leveraged the momentum building late in the half. Beyond EBITDA, the company is generating fast-growing underlying PBT^{1,2} and underlying NPAT³, evidence of 'business as usual' conditions and cash flow generation.

The Board has determined a 6.0c interim dividend (unfranked), payable on 14 April 2023.

On 31 December 2022, the Group had no debt and \$110 million in cash with strong operating cash flow generation expected.

Managing Director, Jamie Pherous, said, “It was pleasing to deliver a record TTV and revenue result in 1H23, noting this half included an additional \$8.4m charge for excess staff capacity held to be ready for a further expected 2H23 recovery. This is a one-off investment; thankfully, we are seeing strong momentum into 2H23 through significant new clients transacting and activity recovery. We expect to utilise this staff investment to service our customer growth imminently.

“As a result, we are guiding to an FY23 underlying EBITDA¹ range of \$160-\$180m, and an underlying PBT² range of \$120-\$140m. Both would be record results for CTM, exceeding FY19 (pre-COVID).”

The full-year guidance delivers a 2H underlying EBITDA result of \$109-\$129m which would ensure great momentum for the expected FY24 full recovery. CTM expects a higher revenue/EBITDA margin in 2H23 due to further supply chain stability, positively impacting productivity and revenues.

Our people - investment in rebuilding and reconnecting

Mr Pherous continued, “CTM has largely rebuilt our workforce with excess capacity for future servicing, adding 204 FTE during the half, employing a total of 3,062 FTE at 31 December 2022. All recognition and development programs are well underway ensuring a highly motivated team delivering for CTM customers.”

1H23 Regional outcomes

North America

A\$ millions, unless stated otherwise

	1H23	1H22	Variance
TTV	1,431.7	949.0	51%
Revenue & other income	145.8	92.0	58%
EBITDA – underlying	16.6	6.0	177%

There was a well-publicised stalling of corporate travel recovery in the North America region in 1H23, driven by poor airport experience and schedule reliability. As a result, the region carried excess staff capacity throughout the half for a recovery that did not occur (approximately \$6.4m in 1H23).

The corporate travel recovery has reignited with January booking volumes now at the highest levels since COVID, a positive sign. 62% of all new clients are choosing CTM’s Lightning online booking tool over incumbent tools.

As a result of acquisition integration completion and the excess staff carried, the region can manage an additional revenue recovery to 80% with limited additional costs. This will create significant incremental profit for every new dollar of revenue, and we expect the region to surpass 80% revenue recovery during 2H23 due to new client wins transacting.

Europe

A\$ millions, unless stated otherwise

	1H23	1H22	Variance
TTV	924.3	806.5	15%
Revenue & other income	45.2	43.8	3%
EBITDA – underlying	17.0	20.9	(19%)

In 1H23 the Europe region delivered TTV, revenue and EBITDA at levels above 1H19. The 1H22 result was a record half due to COVID-specific projects completed in FY22. The region is on track for TTV of \$2bn for FY23, almost double pre-COVID and will be the largest contributor to Group profits in 2H23 due to new logistics-related revenue streams, opening a new addressable market for the region.

CTM expects a very strong 2H growth on 1H, a typical skew enhanced by significant and large new client wins transacting. January's EBITDA was a record month for the region, despite January being a seasonally weak month.

Australia & New Zealand (ANZ)

A\$ millions, unless stated otherwise

	1H23	FY22	Variance
TTV	1,329.8	238.6	457%
Revenue & other income	80.7	21.1	283%
EBITDA – underlying	23.5	0.9	2511%

In 1H23, ANZ delivered a regional record for TTV and revenue. TTV for the half has recovered beyond 100% when including HLO corporate into the baseline. The result includes a \$2m investment in our graduate program that has delivered new talent to the industry to support the significant customer recovery that occurred late in the half.

The revenue/TTV margin decline is due to the impact of the HLO acquisition.

CTM expects the recent China opening to create a significant recovery in airline supply, resulting in much-needed competition in international airfare prices and increased choice for the ANZ market.

Momentum from client wins, combined with HLO synergies and productivity gains, are expected to translate into a significantly stronger 2H in the ANZ region.

Asia

A\$ millions, unless stated otherwise

	1H23	1H22	Variance
TTV	513.3	89.0	477%
Revenue & other income	19.9	6.0	232%
EBITDA – underlying	3.4	(2.6)	n.m.

The Asia region experienced a stepped recovery in activity after Hong Kong opened late in 1Q23, with almost half the profit generated in the last two months of the half.

The region continues to win significant market share, and competitor closures have continued.

China's opening for travel on 8 January is the last piece of the puzzle for a full CTM recovery. Asia continues to win new clients at record rates with demand continuing to outpace supply. As a result, the region is experiencing a stepped recovery into February, only limited by supply constraints in the region.

CTM established an office in Japan on 1 July 2022 to address demand from regional and global clients.

FY23 Guidance

For FY23 CTM expects an underlying EBITDA¹ range of \$160-\$180m and an underlying PBT² of \$120-\$140m. Both would be a record for CTM, driven by transformational acquisitions, significant client wins, supply chain stability, integration completion, and productivity gains. As a result, we expect significantly higher EBITDA and EBITDA/revenue margins in 2H23, beyond our historic 2H seasonal skew.

The full-year guidance delivers a strong 2H underlying EBITDA of \$109-\$129m, which would provide strong momentum into FY24. CTM expects a full recovery in FY24, well in advance of IATA's projections for travel activity, due to continued client wins and retention and significant known large account wins that will start trading with CTM in 2H23.

Trading Update

Whilst we continue to monitor recession impacts closely, travel demand remains strong with no signs of macroeconomic factors impacting the recovery.

By region:

North America

January transactions have recovered to the highest level since COVID and this region is expected to surpass the 80% revenue recovery rate during 2H23, resulting in strong ongoing Group profit contributions.

Europe

Significant client wins are expected to deliver a very strong 2H result, with expectations that Europe is the largest contributor to the Group in 2H23. January was a record profit despite the month being seasonally weak.

ANZ

Post-summer vacation activity is at record levels, the Group is expecting international supply, operational improvements, and synergies to deliver a strong 2H23.

Asia

The region experienced an immediate stepped activity increase upon China opening, with demand presently outstripping available supply.

Authorised for release by the Board.

-ENDS-

For further information

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¹ Excluding pre-tax non-recurring costs of \$1.1m (1H22: \$7.7m)

² Excluding pre-tax client amortisation, a non-cash item of \$7.m (1H22: \$4.0m)

³ Excluding post-tax non-recurring costs of \$0.8m and client relationship amortisation, a non-cash item of \$5.4m

Glossary.

Client SLA's	Client Service Level Agreements
CTM regions	ANZ- Australia and New Zealand, NA - North America, EU- UK and Europe, Asia - Asia
EBITDA	Earnings before Interest, tax, depreciation, amortisation
EPS	Earnings per share
FTE	Full-time equivalent employee
IATA	International Air Transport Association
NPAT	Net Profit after tax
OBT	On-line booking tool
PBT	Profit before tax and client amortization, a non-cash amount
p.c.p.	Previous corresponding period
ROI	Return on Investment
TTV	Total transaction value, an unaudited amount
Underlying	Excludes one-off acquisition, integration costs, other non-recurring items, and client amortisation, a non-cash amount
Y.T.D.	Year to Date