



ASX Announcement

23 August 2023

Corporate Travel Management – FY23 results

Expecting record earnings per share in FY24

Highlights

- **FY23 underlying EBITDA of \$167.1 million (FY22: \$59.8 million)**
- **Underlying NPAT \$92.5 million (FY22: \$19.8 million)**
- **Strong balance sheet: Zero debt, \$151.0 million cash**
- **Dividends reinstated - Final dividend of 22 cents per share (unfranked)**
- **FY24 guidance: underlying EBITDA \$240m-\$280m, underlying PBTa \$193m-\$233m**
- **Expect to deliver record earnings per share (EPS) in FY24**
- **Successfully converting revenue recovery into PBT and NPAT**

Key Statistics

A\$ millions, unless stated otherwise

	FY23	FY22	Variance
TTV (not audited)	8,959.5	5,070.8	+77%
Revenue & other income	660.1	388.7	+70%
EBITDA – underlying ¹	167.1	59.8	+179%
PBTa – underlying ^{1,2}	124.8	22.3	+460%
NPAT – underlying ³	92.5	19.8	+367%
NPAT – statutory	77.6	3.1	+2403%
Corporate Cash	151.0	142.1	+6%
Dividend (cents per share)	22.0	5.0	+340%

1 Excluding pre-tax non-recurring costs relating to M&A integration of \$4.1m. (FY22: \$11.6m)

2 Excluding pre-tax client amortisation, a non-cash item of \$14.6m (FY22: \$9.2m) and building impairment \$1.7m

3 Excluding post-tax non-recurring costs of \$2.8m (FY22: 9.9m), client relationship amortisation, a non-cash item of \$10.8m (FY22: \$6.8m) and building impairment \$1.3m

CTM today reported financial year 2023 results, with revenue increasing by 70% to \$660.1 million, exceeding previous earnings guidance of \$648 million, and strong momentum in 4Q23 with revenue >90% of pro-forma FY19. CTM's underlying EBITDA for FY23 of \$167.1 million, was up 179% from \$59.8million in FY22. On 30 June 2023, the Group had no debt and \$151.0 million cash.

The second half demonstrated strong earnings momentum, with over \$115 million of EBITDA. The business won \$2.95billion of annualised new client wins in FY23, the majority of which are not yet transacting.

Based on the strong operating performance and financial position of the business, the Board has declared a final, unfranked dividend of 22 cents per share.

Managing Director, Jamie Pherous, said, “Our performance in FY23 validates our successful strategy during the pandemic which has given us a larger global platform. We are taking strong momentum into FY24 with EBITDA averaging \$20 million per month and PBTa averaging \$16.5 million per month since February 2023. Pleasingly we are successfully converting the revenue recovery into net profit”.

Whilst TTV has been disclosed above, revenue is a more reliable measure of performance and is consistent with CTM's business model of converting revenue to profit, noting that 89% of CTM's revenues are derived from transactions, not overall price volume (TTV).

Regional operational outcomes

North America

A\$ millions, unless stated otherwise

	FY23	FY22	Variance
Revenue & other income	303.7	217.7	+40%
EBITDA – underlying	44.8	27.2	+65%

Revenue from the North America business rose 40% to \$303.7 million, and underlying EBITDA increased by 65% to \$44.8 million. Despite the ongoing recovery, travel activity in the region has been slower than expected, with our client base having recovered to approximately 65% of Pro-forma FY19 Revenue.

The focus of operations in North America has shifted to driving market share growth, technology, and automation gains after the integration of the Travel and Transport acquisition was completed in the reporting period. The 2H23 EBITDA/Revenue margin grew to 24.5% as a result of this work.

The corporate travel market continues to recover from the challenges in the first half of FY23, and the North America business built growth momentum into the new financial year with \$800 million in new clients wins during FY23. With an expanded regional presence, the business has recorded significant revenue improvement since March, averaging monthly EBITDA of \$6 million as new clients came online.

The North American region is expected to grow significantly in FY24.

Europe

A\$ millions, unless stated otherwise

	FY23	FY22	Variance
Revenue & other income	143.0	83.9	+70%
EBITDA – underlying	84.1	37.4	+125%

The Europe business achieved record EBITDA of \$84.1 million, representing year-on-year growth of 125% and approximately doubling pro forma FY19 levels. Revenue rose 70% to \$143.0 million.

Europe region's performance benefited from major new client and contract wins, with high CTM technology uptake over a significantly larger scale. Travel activity by our corporate and Government client bases grew rapidly throughout the year, alongside the Group's work relating to the UK Government's ongoing humanitarian work. The increase in the UK Government activity in FY23 had a material impact on Operating Cashflow as a result of invoice terms.

Major new contracts and client wins, with high adoption of automation by all clients have contributed to the region's high margins. The level of margins in the second half of FY23 are unlikely to be sustained into the future.

In April 2023, CTM was awarded its largest customer contract, to manage the accommodation needs of asylum seekers in the United Kingdom. The TTV associated with this contract is estimated to be in the vicinity of GBP1.6 billion over 2 years. As this contract only became operational in June 2023, it had little impact on the FY23 results, but it is expected to contribute significantly to the Europe region's results in future years.

The Europe business is expected to have strong growth in FY24.

Australia & New Zealand (ANZ)

A\$ millions, unless stated otherwise

	FY23	FY22	Variance
Revenue & other income	160.1	68.3	+134%
EBITDA – underlying	42.4	11.9	+265%

Revenue from Australia and New Zealand rose 134% to \$160.1 million, and underlying EBITDA increased by 265% to \$42.4 million.

During the year, the integration of the Helloworld corporate and entertainment businesses (Australia and New Zealand) was completed. This expansion has been instrumental in strengthening CTM's niche in the Government sector and securing arguably the largest corporate account in Australia, the Whole of Australian Government travel management services contract. This program commenced on 1 July 2023 and has a 4-year term with 3 one-year extension options.

TTV in the region has returned to pro forma FY19 levels at \$2.6 billion, but activity is lagging TTV growth due to high airline prices resulting from a lack of international competition. Prices have begun to moderate in the final quarter of FY23.

The focus for the Australia and New Zealand business in FY24 is to convert the recovery in activity into revenue and profit through three management initiatives:

- Achieving significant efficiency gains by transitioning retained government clients to CTM technology from January 2024;
- Growth in supplier revenues with the continued international travel recovery; and
- Building on encouraging early efficiency gains from the increasing use of artificial intelligence (AI) within our existing product suite across the region's client base.

Managing Director, Jamie Pherous, said, "We have been investing in AI and automation for the last two years and we are encouraged by the results in the last quarter. It is early days in the life cycle and we are already saving 1000 work hours per month. A key goal for FY24 is to expand this globally to free up our consultants to manage high value, urgent transactions typical of our client base and to ultimately provide superior self-service capability at any time of the day for our customers".

Asia

A\$ millions, unless stated otherwise

	FY23	FY22	Variance
Revenue & other income	51.6	17.3	+198%
EBITDA – underlying	13.9	(3.0)	n.m.

Revenue from Asia rose 198% to \$51.6 million, and underlying EBITDA increased to \$13.9 million (FY22 \$(3.0) million), reflecting an impressive turnaround since the China market re-opened early in the second half of the financial year.

CTM's Asia market share has doubled compared to FY19 levels, and the business has delivered record profits since March 2023 on a 70% recovery in revenue. As a result, we expect the region to surpass its FY19 EBITDA record of \$25m in FY24 through a combination of market recovery and continued client wins.

Trading update and outlook

CTM entered FY24 with strong revenue and earnings growth momentum and continues to see encouraging signs for FY24.

Whilst July and August is seasonally a quiet period for corporate travel, activity is tracking significantly above July 2022 with transactions +42% and revenue +34%. This is a result of strong client wins (\$2.95bn) in FY23 starting to transact. The group has secured 15% of its FY24 global sales target in July.

Further, the Group's annual Global Customer Survey, conducted in May 2023, indicates a growing appetite for corporate travel in the year ahead. The findings show that survey respondents expect to travel the same or more in the year ahead for client meetings (94%), internal meetings (91%), international travel (85%) and same day business trips (84%) in the year ahead. This points to continued expected recovery in client travel.

CTM has forecast revenue of \$770 million to \$850 million, EBITDA of \$240 million to \$280 million and PBTa of \$193 million to \$233 million for FY24.

This result will deliver record earnings per share for FY24, which would validate the Group's strategy through the global pandemic.

Annual General Meeting

CTM will hold its 2023 Annual General Meeting in person on Wednesday, 25 October 2023 commencing at 11:00am (Brisbane time) at the Hilton Hotel in Brisbane.

Further details regarding the 2023 AGM 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 Wednesday, 6 September 2023.

Definitions:

EBITDA - earnings before interest, taxes, depreciation and amortisation

PBTa - profit before tax and client amortisation (non-cash amount)

NPAT – net profit after tax

Underlying - Excludes one-off acquisition, integration costs, other non-recurring items, and client amortisation, a non-cash expense

Pro-forma FY19 Revenue – includes acquisitions of Travel & Transport (Oct 20) and Helloworld Corporate (Mar 22) in the FY19 revenue baseline (A\$810 million)

Authorised for release by the Board.

-ENDS-

For further information

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