21 February 2024

ASX Announcement

Record 1H24 result. Releases five-year strategy to double FY24 profits by FY29.

Highlights

- **1H24 underlying EBITDA of $100.7 million (1H23: $51.3 million).**
- **Underlying NPAT attributable to owners of CTM $57.9 million (1H23: $22.1 million).**
- **Strong balance sheet: no drawn debt, $131.3 million cash.**
- **Interim Dividend 17 cents per share (unfranked), on-market share buy-back continues.**
- **Five-year strategy to double FY24 profits organically by FY29 (CAGR 15%), with acquisitions additional.**

Key Statistics

A$ millions, unless stated otherwise.

	1H24	1H23	Variance
Revenue & other income	363.7	291.9	+25%
EBITDA – underlying[1]	100.7	51.3	+96%
PBTA – underlying[1,2]	79.1	30.4	+160%
NPAT – underlying[3]	57.9	22.1	+162%
NPAT – statutory	50.4	15.7	+222%
Interim Dividend (cents per share)	17.0	6.0	+183%

CTM today reported 1H24 results, with revenue and other income increasing by 25% to $363.7 million, and underlying EBITDA of $100.7 million, up 96%. On 31 December 2023, the Group had no drawn debt and $131.3 million cash.

The first half was a record result for CTM, exceeding internal expectations of a ⅓ EBITDA skew to 1H or $87m[4] based upon initial guidance.

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[1] Excluding pre-tax non-recurring costs of $4.1m. (1H23: $1.1m)
[2] Excluding pre-tax client amortisation, a non-cash item of $7.5m (1H23: $7.3m)
[3] Excluding post-tax non-recurring costs of $3.0m and post-tax client relationship amortisation, a non-cash item of $5.5m
[4] Compared to mid-point of previous guidance range of $260m underlying EBITDA.
[5] GBTA Business Travel Industry Outlook Poll, October 30, 2023, Sabre 4Q23 quarterly results 15Feb24

While the global travel market recovery was minimal, the result was due to two key themes across the Group:

1. **Continued client wins delivering above industry growth**. CTM won $0.63bn of new clients in the half.
2. **Successfully converting revenue to higher profit growth** as demonstrated by the 25% revenue growth translating into 96% EBITDA growth, 160% PBTA growth, 162% underlying NPAT growth.

Managing Director, Jamie Pherous, said, "The underlying business is performing well, and we are executing on the things we can control as demonstrated by continued market share gains and our ability to successfully convert revenue into profit growth."

The key success metrics for the business are on track or exceeding expectations:

- new client wins are on track to exceed annualised travel spend value of $1 billion for FY24,
- client retentions are on track at 97%, and
- revenue per full time equivalent employee (revenue/FTE) which best reflects cost control and productivity gains from automation, is up 17% on the prior corresponding period (p.c.p.).

Macro issues beyond the control of the business impacted performance in 2Q24, specifically negative travel sentiment relating to conflict in the Middle East, American client calendar-year travel budgets being fully utilised by end of 1Q24 due to unsustainably high-ticket prices, and a slower China outbound recovery. Whilst this reduced 2Q24 EBITDA by $15m, CTM generated a 1H profit well above our target of $87m[4].

The macro issues impacting 2Q appear to have dissipated, with the Group experiencing a strong rebound in January 2024.

Regional operational outcomes

North America

A$ millions, unless stated otherwise.

	1H24	1H23	Variance
Revenue & other income	150.7	145.8	+3%
EBITDA – underlying	20.5	16.6	+23%

North America was the region most affected by the 2Q macro impacts due to USA corporate annual travel budgets being fully utilised by mid-September as a result of unsustainably high-ticket prices. Despite this, the region is converting revenue to higher EBITDA growth. This is expected to continue throughout the year.

The region continues to lead the group in new client wins ($0.4bn year to date) and as a result we expect above sector growth to accelerate in 2H24.

The region experienced a strong rebound in January, with EBITDA up 60% for the month versus January 2023. This is a result of new client wins transacting, a double-digit decline in ticket prices (a positive for client travel budgets in calendar 2024) and continued strong conversion of revenue to EBITDA growth.

The region is expected to have a strong 2H profit skew resulting from new clients transacting and a flat cost base through the benefits of earlier automation initiatives. We remain confident the region will be a strong contributor to FY25 performance.

Europe

A$ millions, unless stated otherwise.

	1H24	1H23	Variance
Revenue & other income	98.5	45.2	+118%
EBITDA – underlying	63.0	17.0	+271%

The Europe business achieved record financial metrics led by strong gains in new clients transacting and high conversion of revenue to EBITDA growth. The region has the added advantage of online transactions above 90% using CTM proprietary technology. Combined with a doubling of scale, the region is benefiting from improved supplier benefits.

The UK Bridging Contract that was awarded in 2H23 is materially underperforming versus the client's initial expectations due to immigration issues and timing delays that are beyond our control. This impact was more than offset by significant new clients transacting and a strong performance from other crisis and humanitarian work.

The region has successfully managed 23 crisis and humanitarian projects in 3.5 years (major project every two months) and this work has become a sound counter cyclical opportunity to balance the impacts of macro events on the wider global business. This expertise is translating into significant global opportunities outside of the UK Government.

We expect the UK Bridging Contract to materially underperform initial client expectations in 2H24. Despite this, the region expects to exceed $100m EBITDA for the full year; a first for any CTM region. The region continues to invest in sales growth measures that will support our five-year strategy to FY29.

Australia & New Zealand (ANZ)

A$ millions, unless stated otherwise.

	1H24	1H23	Variance
Revenue & other income	81.4	80.7	+1%
EBITDA – underlying	18.6	23.5	(21%)

Results for the region in 1H24 were expected to be similar to 2H23 as a result of additional costs to support both new and legacy Whole of Australian Government (WoAG) systems. The new framework commenced in February, allowing us to sunset the legacy system as planned through 2H24.

The 1H result was also impacted by 2Q macro impacts impacting the wider Group.

Sleep Space, CTM's proprietary hotel content engine, was launched with the new WoAG framework in February, exceeding our initial expectations. As part of our five-year growth strategy, we have ambitious plans to roll out Sleep Space across the ANZ region then the globe throughout CY24 and FY25. This system enhances user experience and hotel choice, increases hotel attachment up-take, and enhances supplier engagement with our customers.

The ANZ region experienced a strong January 2024 rebound with revenue up 11% on January 2023. Additionally, we expect higher revenues and a lowering cost base into 4Q24 as we sunset the legacy WoAG system from February.

ANZ had the best half of new client wins since COVID with feedback that our value proposition is well positioned versus our peers.

As a result of the above initiatives, we expect the region to have a strong 2H profit skew.

The ANZ region is the initiator of the Sleep Space and AI initiatives that form part of our five-year strategic plan. Both projects have performed beyond our initial expectations and due to their success are being rolled out progressively around the globe.

Asia

A$ millions, unless stated otherwise.

	1H24	1H23	Variance
Revenue & other income	32.5	19.9	+63%
EBITDA – underlying	9.1	3.4	+168%

1H24 was a record result for the region despite the Greater Bay Area of China (GBA) recovering to only 50% of pre-COVID activity, slower than forecast. Asia has successfully converted revenue to EBITDA growth at target rates despite being the last region to recover from COVID and suffering the resource constraints and supply shortages experienced by the rest of the world in FY23.

The region was impacted by 2Q macro events, but this appears to have dissipated with January 2024 EBITDA up 196% on January 2023.

The region continues to win market share and is highly leveraged to further recovery and an opening of international travel to and from China. Unlike the rest of the world, this region, and particularly the GBA to which CTM has a high exposure, is expected to have significant further post-COVID recovery upside. This is consistent with additional airline capacity announcements.

The region continues to focus on above market organic growth and automation to ensure it can translate the further recovery into EBITDA at target rates.

FIVE-YEAR GROWTH STRATEGY

Today, the company released its five-year strategy to double FY24 profits organically by FY29 (CAGR 15%), with acquisitions additional.

CTM's growth drivers that will underpin this strategy:

1. **Revenue growth 10%+ p.a. over 5 years**

   Delivered through winning new clients. In order to achieve this revenue growth, new win targets start at $1.0bn p.a. in FY25 and rise to $1.6bn p.a. by FY29.

2. **Client retention 97% p.a.**

   The business now assumes the post-COVID recovery is complete at 75%[5] of pre-COVID travel spend, and from FY25-29, client activity will increase by 3% p.a., offsetting client losses. CTM has averaged 97% client retention every year since becoming a public company in 2010.

3. **Benefits from productivity and innovation projects**
   Successful delivery of key projects that will deliver revenue gains and costs savings over the lifecycle. We are targeting cost to be contained at 5% per annum, with revenue per FTE gains being a key performance measure.

   CTM has a number of key productivity and innovation projects underway in FY24 that are outlined in more detail in today's investor presentation.

   Using formal client and internal innovation feedback loops, the business expects future projects will support both market share growth and automation. All the projects underway in calendar 2024 have originated through this process.

4. **EBITDA growth > revenue growth so that 50% of every new dollar of revenue falls to EBITDA.**
   Through new client wins, retention, and project execution, this will translate into 15% CAGR profit growth over the five-year cycle. Revenue per FTE is tracking well above this target rate in FY24.

5. **Acquisitions are additional to the five-year growth plan.**
   Given the corporate travel market has only recovered to 75% of pre-COVID levels and most targets are highly leveraged with debt to survive COVID, we believe large scale industry consolidation is likely. CTM is actively pursuing these opportunities which will add further growth, shareholder value and economies of scale.

Mr Pherous said, "The key metrics required to execute the plan (client wins, retention, automation project execution, revenue/FTE) are already being met or exceeded in FY23 and FY24. Furthermore, CTM has a strong track record of acquisition execution and synergy extraction, and any future acquisitions would be additional to the organic growth from this strategy. When combined with our strong balance sheet, we are well positioned for any likely industry consolidation."

Capital allocation to support five-year growth strategy.

Under the assumption that client recovery is largely complete post-COVID, operating cash flow conversion is back to long term trends. As a result, the business is expected to generate long term average operating cash conversion at 85-90% and significant cash over the five-year plan.

Cash will be used across four key initiatives to continually enhance CTM's client value proposition and maximise shareholder returns.

1. Dividends are expected to be maintained at 50% of NPAT; dividends are currently unfranked.
2. Client and internal projects that can deliver minimum 25% Return on Capital (ROC). The established innovation feedback loops that have generated key 2024 projects are expected to continue throughout the strategy cycle. The purpose is to continually enhance CTM's value proposition and leverage automation to support the strategic objectives to win and retain clients and enhance productivity.
3. On-market share buy-backs. CTM currently has a program in place to acquire up to 6 million shares on-market by November 2024. This strategy will be used throughout the strategy cycle when there is excess cash beyond usage for items 1,2 and 4.
4. Acquisition. Funding for any future acquisition opportunities will be assessed on a case-by-case basis through a mixture of cash, stock, and conservative levels of debt. Historically, CTM has rewarded existing shareholders with any capital raises relating to acquisitions.

OUTLOOK

Macro issues outside of CTM's control have impacted short term performance.

2Q macro issues described above had a negative $15m impact to EBITDA. Strong January results suggest these impacts have largely dissipated and are unlikely to impact 2H24.

The UK Bridging Contract is materially underperforming versus client's initial expectations, due to immigration challenges and resulting timing delays. This is expected to have a negative $25m impact to full year results.

CTM has taken a conservative approach to guidance as it relates to the UK Bridging Contract and has assumed no further growth from current levels. Any future additional activity will be upside to the guidance range.

Combined, these issues will have a $40m impact to the full year EBITDA guidance mid-point. As a result, FY24 guidance has been revised as follows:

- Revenue $730-760m, representing 15% growth on FY23 at the mid-point of the range
- Underlying EBITDA: $210-$230m, representing 31.7% growth on FY23 at the mid-point
- Underlying PBTA: $167-$187m
- Underlying NPAT to owners of CTM: $125m-$140m.

2H24 activity update and summary

1. **The 2Q macro impacts appear to have dissipated**. As outlined above, the Group experienced strong January rebounds across the globe versus January 2023:
    - North America underlying EBITDA up 60%
    - Asia underlying EBITDA up 196%
    - ANZ revenue and other income up 11%
2. Despite the impacts of external issues outside our control, **the underlying business is executing to plan** and performing well. Growth at the mid-point of underlying EBITDA guidance of $220m represents a 31.7% increase on FY23 despite the global corporate market remaining relatively steady at a 75% recovery post-COVID.
3. **Metrics for success are being met or exceeded**, with new client wins for the year-to-date surpassing $0.7bn. We expect 2H24 conversion of incremental revenue to profit to remain above the 50% target range, particularly in North America and ANZ regions, as they both benefit from synergies as revenue builds.
4. **The five-year growth strategy positions CTM to double FY24 profits** by FY29 (CAGR 15%) and key metrics required to execute this plan are already being met or exceeded.
5. **Acquisitions are additional to the plan**. CTM remains well positioned for likely industry consolidation and has a strong track record of acquisition execution and synergy extraction.

1H24 WEBINAR AND RESULTS CALL

A webinar and conference call briefing on Corporate Travel Management (CTM:CTD) half year results will be held at 8am AEST / 9am AEDT on Wednesday, 21 February 2024.

Webinar: To pre-register for the webinar, please click on the following link: Webinar Link

Conference call: please click on the following link: Conference Call Link

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.
ROC	Return on Capital.

Authorised for release by the Board.

-ENDS-

For further information

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