21 August 2024

ASX Announcement

Solid underlying business performance delivers revenue and EBITDA growth, share buy-back extended

Highlights:

- **FY24 Underlying EBITDA of $201.7 million (FY23: $167.1 million), an increase of 21%**
- **Underlying NPAT attributable to owners of $113.3 million (FY23: $92.5 million), an increase of 22%**
- **Strong balance sheet – no debt, $134.8 million cash at 30 June 2024**
- **Final dividend of 12 cents per share unfranked – total FY24 dividend 29 cents per share**
- **On-market share buy-back program extended to 30 June 2025**

Key Statistics

A$ million, unless stated otherwise

	FY24	FY23	Variance
Revenue & other income	716.9	660.1	+9%
EBITDA – underlying[1]	201.7	167.1	+21%
PBT – underlying[1, 2]	156.7	124.8	+26%
NPAT – underlying[3]	113.3	92.5	+22%
NPAT – statutory	84.5	77.6	+9%
Total dividend (cents per share, unfranked)	29	28	+4%

1 Excluding pre-tax non-recurring costs of $22.8m (FY23: $4.1m)

2 Excluding pre-tax client amortisation, a non-cash item of $15.1m (FY23: $14.6m) and building impairment $1.5m

3 Excluding post-tax non-recurring costs of $16.6m (FY23: $2.8m), client relationship amortisation, a non-cash item of $11.1m (FY23: $10.8m) and building impairment $1.1m

Corporate Travel Management (ASX: **CTD**) today reported FY24 results with revenue and other income increasing by 9% to $716.9 million and underlying EBITDA of $201.7 million, up 21%.

The Group maintained a strong balance sheet with no debt and $134.8 million of cash at 30 June 2024.

The Board declared a Final Dividend of 12 cents per share (unfranked) which brings the total dividend for the year to 29 cents per share (unfranked), an increase of 4% over FY23.

The Group completed $26.1 million of share re-purchases at an average price of $15.55 per share under the on-market share buyback program announced in November 2023. The program's completion date has been extended to 30 June 2025 and reset to up to $100 million (see further details below).

While the Group reported growth in revenue and EBITDA, the full year results were below forecast due to

1) 1H issues previously communicated at our 1H24 results, being:
   - Macro second quarter impacts in North America. Pleasingly this issue had no impact in North America for the rest of the year.
   - The European Bridging accommodation contract, expected to deliver $1.5 billion of TTV and significant revenue and profit, was materially below forecast, due to changes in Government Policy.

2) Specific to the second half, one-off war-related humanitarian projects tapered off faster than expected.

- CTM have been very proud to accommodate displaced persons fleeing conflict in Ukraine and Afghanistan for a number of years. We are pleased that 90% of these families are now settled in long-term accommodation and no longer require interim accommodation services. This reduced demand is now reflected in our FY25 forecast.

Despite the UK one-off project work being below forecast, the underlying business performed well with the rest of the world (RoW) operating regions reporting 29% EBITDA growth in the second half. This was led by both the North America and Australia/New Zealand businesses. Our largest two regions achieved significant performance turnarounds in the second half of the year with EBITDA for each region increasing by 39% compared to the prior corresponding period and carrying momentum into the early months of FY25.

The Group improved revenue per full time equivalent employee by 9% during the period, retained 97% of clients during the year and recorded new client wins with an estimated annualised value of $970 million. Investments in automation and productivity initiatives will support strong future profit growth, with 61% of incremental revenue converted to EBITDA.

Regional operational outcomes

North America

North America reported revenue and other income of $311.5 million, up 3% on the previous fiscal year. Underlying EBITDA was $59.7 million, a 33% increase on the previous year.

But it is the second half turnaround in the region which is most pleasing:

- The region recorded a strong rebound in profitability in the six months to June, with underlying EBITDA of $39.2 million compared with $28.2 million in the in the prior corresponding six month period, an increase of 39%. This was on the back of transactional growth of 17% on the prior corresponding six month period
- performance accelerated in the fourth quarter, transactions up 21% and EBITDA up 46% on the fourth quarter in FY23
- whilst July 2024 is not the best indicator (summer holidays in North America) revenue was up 24% on July 2023

The turnaround in second half performance improved on the back of a rebound in existing customer activity, new customer transaction volumes, a focus on profitable accounts and automating customer-facing and back office process.

Australia and New Zealand (ANZ)

ANZ reported revenue of $169.3 million, up 6% on the previous year, and underlying EBITDA of $44.9 million, an increase of 6%.

Similar to North America, it is the second half turnaround in the region which was most pleasing:

- Second half revenue and other income rose 11% to $87.9 million and underlying EBITDA increased 39% to $26.3 million, compared to the prior corresponding period.
- July 2024 revenue was up 24% on July 2023, continuing the momentum of the second half of fiscal year 2024

The successful launch of the new Sleep Space hotel booking engine in this region in February 2024 has been a significant contributor to accelerating revenue, alongside new and returning clients. The increase in EBITDA was supported by synergy benefits from the acquisition of Helloworld’s corporate and entertainment businesses and gains from process automation.

Europe

Europe increased full year revenue by 18 percent to $169.3 million and EBITDA by 16 percent to $97.7 million.

Revenue and EBITDA in the second half were impacted by non-recurring project work being below forecast, which reduced revenue to $70.8 million (2H FY23: $97.8 million) and EBITDA to $34.7 million (2H FY23: $67.1 million) in the six months to June 2024.

New customer wins and an elevated level of client take-up of CTM's technology offering will drive future growth in revenue and profitability, which are expected to reach approximately 150 percent of FY19 (pre-COVID) figures, even though the market has only recovered to only approximately 80 percent of activity levels before the pandemic. The FY25 outlook for the region includes no asylum vessel extension and no war-related humanitarian projects.

Asia

Asia reported strong growth with revenue increasing 24 percent and EBITDA rising by 29 percent to $17.9 million, despite the slow recovery of outbound airline capacity since the Greater China market re-opened in 2023. To combat this, the region has continued to diversify with 31 percent of FY24 regional revenue coming from outside of China and Hong Kong, compared with 11 percent in FY19.

Revenue, Automation, and productivity initiatives

Sleep Space, the Group's proprietary hotel content engine, will be critical to delivering improved revenue yields, combined with improved customer and supplier experience. It contributed to revenue growth in Australia/New Zealand since launch in February 2024. Our preliminary research indicates the product has strong potential and development is underway for roll-out in the other operating regions during FY25.

The Group is focused on further investment in our technology and automation tools to deliver improved productivity, cost base reduction and conversion of revenue to profit. Key projects such as Atlas and Scout are being delivered to plan and will support EBITDA margins over time.

Project Atlas will streamline back-end processes through standardisation and automation and is expected to deliver cost savings of $10 million in FY25, increasing to $20 million per annum by FY29.

Scout, the Group's AI-powered virtual service assistant was introduced during the year. Developed by CTM, Scout uses AI to automate thousands of customer service requests every month. It is enjoying strong customer adoption and has improved our Net Promoter Scores from clients and contributed to revenue growth. Scout will be a key technology investment for CTM in FY25 as it learns to solve more complex problems faster.

Extension to share buy-back program

The Group's on-market share buy-back program which was announced in November 2023 has been extended and re-set to a value of up to $100 million and the completion date will be extended to 30 June 2025.

The extension to the program is in addition to $26.1 million in share buy-backs completed during FY24, re-purchasing 1.7 million shares at an average price of $15.55 per share.

The decision to extend the program reflects the Group's strong cash generation and confidence in the medium-term outlook for the business, compared to the current weakness in the share price.

Continuing share buy-backs will be subject to Board discretion and market conditions.

Outlook

For the Rest of World (North America, ANZ and Asia), the Group is targeting c.10% revenue growth and EBITDA margins growing from 23% to approximately 27.5% in FY25, capitalising on the strong momentum in the second half of FY24 and new customer wins, the roll-out of Sleep Space and execution of automation initiatives.

For Europe in FY25, the Group has forecast a revenue decline of approximately 18% and EBITDA margins of approximately 49% as the non-recurring projects are now complete. This projection assumes no asylum vessel extension and no war-related humanitarian work. The forecast decline reflects strong comparative figures to FY19 (pre-Covid) with an improved EBITDA margin, and profit expectations greater than 150% of FY19.

Group costs are forecast to be around $23m in FY25 and capex is forecast to be at a similar level as in FY24 ($47.6m).

Group EBITDA for the first half of FY25 is expected to be lower than for the prior corresponding period because of the non-recurring project work in Europe. With the progressive roll-out of revenue growth and automation projects, approximately 65% of full-year Group EBITDA is expected to be generated in the second half.

Results webinar and conference call

A webinar and conference call on Corporate Travel Management (ASX: CTD) full year results will be held at 8.30am AEST on Wednesday 21 August 2024.

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

Conference call: To join the call, please click on the following link: **Conference Call Link**

Glossary:

AI	Artificial intelligence
BAU	Business As Usual
bps	Basis points (1% = 100bps)
Client SLAs	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
NPAT	Net Profit after tax
PBT	Profit before tax and client acquisition amortisation
p.c.p.	Previous corresponding period
RoW	Rest of World regions; ANZ, NA, Asia excluding Europe
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
Y.T.D.	Year to Date

ENDS

For further information

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