The Jetset Travelworld Group

JETSET TRAVELWORLD ANNOUNCES RESULTS
FOR THE YEAR ENDED 30 JUNE 2013

HIGHLIGHTS

- Profit before tax increased by 88% to $27.1 million
- Adjusted EBITDAI(1) up 8% to $54.6 million
- Announced launch of new consumer brand, helloworld
- Key commercial terms agreed for long term strategic partnership with Orbitz Worldwide Inc for helloworld online
- Profit after tax attributable to members of Jetset Travelworld Limited increased by 203% to $16.5 million
- Final dividend of 0.5 cents per share
- Basic earnings per share of 3.76 cents per share

Summary of Results

The results for the year ended 30 June 2013 are summarised as follows:

	30-Jun-13	30-Jun-12	
	$ million	**$ million**	**% Change**
Total transaction value (TTV)	5,177.4	5,625.8	-8.0%
Revenue	332.8	361.1	-7.8%
Adjusted EBITDAI (1)	54.6	50.5	+ 8.1%
Profit before tax	27.1	14.4	+ 87.8%
Profit after tax attributable to members	16.5	5.5	+ 202.8%
	Cents per share	**Cents per share**	**% Change**
Basic earnings per share	3.76	1.24	+ 203.2%
Diluted earnings per share	3.71	1.24	+ 199.2%
Final dividend per share	0.5	-	-
Interim dividend per share	1.0	1.1	-9.1%

(1) Adjusted EBITDAI represents earnings before interest expense, taxes, share based payments, depreciation, amortisation and impairment. Adjusted EBITDAI is the primary measure used by management and the Group's chief decision making bodies to assess the financial performance of the Group and operating segments. Adjusted EBITDAI and Adjusted Profit before tax, exclude other significant or unusual items of income or expense.

Jetset Travelworld Limited (ASX: JET) today announced its results for the year ended 30 June 2013.

JET Chief Executive Officer Rob Gurney said, “I am pleased to report the results for the year ended 30 June 2013. The Group has achieved an increase in Adjusted EBITDAI of 8% to $54.6 million and an 88% increase in profit before tax to $27.1 million. It is a very satisfying outcome during a period when the Group has been engaged in finalising the strategic review and the Company’s transformation plan.

“The results for the year ended 30 June 2013 reflect a continued focus by the Jetset Travelworld Group (JTG) on margin management, cost reduction and efficiency measures in a market that continues to experience a decline in average selling prices across both domestic and international air product.

“Trading conditions in the second half of the financial year improved in comparison to the first half. The Group generated second half TTV of $2.7 billion representing a 5% decline compared to the second half of the prior year. This compares to a decline in TTV of 11% in the first half of FY13. The second half decline in TTV was largely attributable to the Travel Management segment with a continuation of the reduction in trading volumes transacted through the accounts held with government agencies.

“We have maintained our focus on cost containment and realising the benefits of the restructuring initiatives announced in FY12. Operating costs in the second half of the financial year were 11% lower than the prior year corresponding period. Full year operating costs were lower than the prior year by $32.4 million or 10%”, he said.

Segment Performance

Retail Segment

The Retail segment generated Adjusted EBITDAI of $67.6 million which is a 6.5% increase on the prior year result of $63.4 million. This increase is a result of an improvement in the revenue margin from 4.8% to 4.9% as well as a continued focus on reducing operating costs. Operating costs in the Retail segment decreased by $14.9 million (11.4%) for the full year.

The Retail segment generated TTV of $3.8 billion for the financial year ended 30 June 2013 representing a decline on the prior year of 6.4%. Trading conditions stabilised in the second half with a second half TTV decline of 3.5% compared to 9.3% in the first half.

Wholesale Segment

TTV attributable to the Wholesale segment decreased by 6.9% to $799.3 million for the year ended 30 June 2013 and Adjusted EBITDAI decreased by 6.5% to $14.1 million.

The margin of revenue to TTV for the Wholesale segment for the year ended 30 June 2013 decreased from 13.4% to 13.1% reflecting growth in cruise volumes as well as the mix of business between online and offline channels. Operating costs in the Wholesale segment have reduced by 9.2% due to a continued focus on productivity improvement and operational efficiencies. We expect to see an improved result in Wholesale in FY14 as the business continues to realise the benefits of the restructuring and productivity improvement initiatives as well as the broader transformation impact on network penetration.

Travel Management Segment

TTV attributable to the Travel Management segment decreased by 17.8% to $612.1 million for the year ended 30 June 2013. Despite the decline in TTV, the Travel Management segment reported an improved result with the Adjusted EBITDAI loss of $2.5 million for the year ended 30 June 2013 representing an improvement of 23% compared to the prior year loss of $3.3 million.

The reduction in TTV is attributable to QBT and primarily reflects a decline in trading volumes transacted through the accounts held with the government agencies trading under the terms of the Whole of Australian Government travel management agreement.

Operating expenses in the Travel Management segment decreased by $7.4 million (14.8%) during the year reflecting the benefit of the restructuring initiatives announced in June 2012 and implemented throughout the year ended 30 June 2013.

Liquidity and Funding

Total cash on hand at 30 June 2013 increased by 8.5% to $234.9 million consisting of client funds of $200.4 million and general cash of $34.5 million.

The Group reported a net cash inflow from operating activities for the year ended 30 June 2013 of $35.5 million which was an increase on the prior year of 16%.

At 30 June 2013, the Group had access to total finance facilities (including letter of credit facilities) of $81.8 million with $35.3 million utilised and remaining headroom available of $46.5 million.

Dividend

For the year ended 30 June 2013 the Company generated a profit after tax of $16.5m. In accordance with the dividend policy, the Board has determined that the Company will pay a final dividend of 0.5 cent per share fully franked on Friday, 4 October 2013 to shareholders entered on the share register at close of business on Friday, 20 September 2013.

Outlook

On 22 July 2013, JTG announced that it will launch a new consumer brand, helloworld. Existing members and franchisees will have the opportunity to adopt helloworld to create an extensive network of over 1,000 travel agents. This new retail network will be supported by a long-term strategic partnership to be entered into with the US–based online travel company, Orbitz Worldwide Inc (OWW) which will see JTG utilising Orbitz proven global technology.

Mr Gurney said that "following the announcement of the helloworld brand, we have entered into an intensive process of engagement with all existing franchisees and members to communicate the values of helloworld and details of the new retail models. This period of engagement is progressing well and we expect to commence store re-branding during October.

It is expected that the first helloworld branded stores and the online platform will commence operation during the second quarter of the financial year ending 30 June 2014 (FY14) supported by a consumer launch, with the store roll-out program to continue throughout FY14.

To-date, JTG has incurred $10.8 million of non-recurring expenditure on the business transformation with these costs incurred during the financial year ended 30 June 2013.

The implementation program is expected to be completed over the next twelve to eighteen months with JTG expecting to further invest in the range of $35 million to $40 million on the transformation. This investment will be allocated across a range of activities with the current estimate of the allocation of funds being as follows; brand relaunch and store renewal program (50%), multichannel and online development (25%), cost reduction initiatives in JTG's Wholesale and Travel Management businesses (19%) and project management activities and change support (6%).

The investment in the business transformation will be funded from existing cash reserves and headroom in the Group's debt facility arrangements. The Group's capacity to fund extensive transformation has been demonstrated since the September 2010 merger. Over $38 million was invested in merger integration activities and other capital investment during the FY11 and FY12 financial years. This investment delivered cost reductions of more than $50 million compared to the pro-forma costs incurred in the financial year ended 30 June 2010.

During this period of investment and subject to trading conditions, the Directors intend to maintain the stated dividend policy of paying a dividend pay-out ratio in the range of 40-60% of net profit after tax.

Mr Gurney says the long-term strategy for JTG is firmly focused on growing a strong position in the market by better leveraging the scale of the Group, building on consumer insights and delivering new and innovative products to meet changing needs.

"We are ambitious in our goals to reshape the Australian travel industry and have embarked on a major transformation for the Group. Over the next 18 months, we will focus on implementing the most substantial changes.

The financial year ending 30 June 2014 will represent a year of investment in the implementation of the helloworld brand and digital launch. Trading during July and August has been largely consistent with the trends experienced at the same time last year. Based on current trading, the Board would expect that the operating performance of the Group would be largely consistent with FY13. The transition to helloworld will be facilitated through a realignment of the commercial arrangements between JTG and its franchisees and members. The aim of the change in commercial terms is to increase the volume of product that is procured by JTG's franchisees and members through JTG's supplier contracts and this will result in enhanced incentives being paid to franchisees and members. The transition period throughout FY14 is expected to result in an overall decrease in Adjusted EBITDAI during this year of implementation as a result of an increase in agent incentives with the full year Adjusted EBITDAI outcome, excluding helloworld implementation costs, currently expected to be in the range of $40 million to $45 million, subject to trading conditions.

The Australian travel industry continues to forecast growth in TTV and JTG expects to participate in this growth following the successful implementation of the helloworld brand and digital offering. Growth will be achieved through targeted consumer marketing and campaigns aimed at driving increased customer traffic to our network of franchisees and members supported by a strong digital offering. The benefits of the implementation of the business transformation are expected to drive improved profitability from FY15 onwards with the results expected to capture market growth and increased market share.

We will remain focused on margin management and cost discipline to ensure that growth in TTV will deliver improved earnings for our shareholders. This business transformation will deliver long-term value through:

- Creating a highly consumer-focused travel distribution network
- Consolidating marketing spend to capture a greater share of voice
- Capturing growth through digital distribution," says Mr Gurney

ENDS

Media enquiries to Rob Gurney, CEO, +61 (0)28229 4084
Investor enquiries to Elizabeth Gaines, COO & CFO, +61 (0)28229 4121

About The Jetset Travelworld Group:

The Jetset Travelworld Group is one of the leading integrated travel companies in Australia and New Zealand. The Group operates a number of leading businesses in the retail, online, corporate, wholesale and inbound travel distribution market with operations in Australia, New Zealand, Asia, Fiji, the United States, South Africa and the United Kingdom.