HELLOWORLD ANNOUNCES RESULTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

HIGHLIGHTS

- Total Transaction Value (TTV) of $2.52 billion
- Adjusted EBITDAI[(1)] of 19.0 million
- Loss before tax of $3.9 million includes the loss on disposal of the Inbound business and cost of strategic implementation
- Continued focus on cost reduction and efficiency initiatives resulting in operating costs lower than H1 FY13 by 9%
- Basic loss per share of 1.06 cents per share
- Positive momentum in the implementation of the transformation strategy with the achievement of key milestones including:
  - Launch of new consumer brand, helloworld
  - Over 675 stores signed to the helloworld retail models with a strong pipeline of additional locations
  - Strategic Alliance with Orbitz Worldwide Inc executed and helloworld.com.au launched
  - Store refresh program underway across Australia
  - Brand licensing agreement with American Express Global Business Travel executed
  - Sale of Inbound business to AOT Group
  - Jetset Travelworld Limited changed its name to Helloworld Limited

Summary of Results

The results for the half year ended 31 December 2013 are summarised as follows:

	31-Dec-13	31-Dec-12	
	$ million	**$ million**	**% Change**
Total transaction value (TTV)	2,524.9	2,495.6	+ 1.2%
Revenue	151.5	171.0	-11.4%
Adjusted EBITDAI [(1)]	19.0	25.3	- 24.8%
(Loss)/profit before tax	(3.9)	14.9	- 126.0%
(Loss)/profit after tax attributable to members	(4.7)	8.6	- 154.2%
	Cents per share	**Cents per share**	**% Change**
Basic earnings/(loss) per share	(1.06)	1.97	- 153.8%
Diluted earnings/(loss) per share	(1.05)	1.94	- 154.1%
Interim dividend per share	-	1.00	- 100.0%

(1) Adjusted EBITDAI represents earnings before interest expense, taxes, share based payments, depreciation, amortisation and impairment. Adjusted EBITDAI is the primary measure used by the Board to assess the financial performance of the Group and operating segments. Adjusted EBITDAI excludes other significant or unusual items of income or expense. Adjusted EBITDAI has not been specifically reviewed in accordance with Australian Auditing Standards but has been extracted from Note 3 of the Interim Financial Report. A reconciliation of Adjusted EBITDAI to Profit before tax is contained in the Appendix to this announcement.

Helloworld Limited (ASX: HLO) today announced its results for the half year ended 31 December 2013.

HLO Chief Executive Officer Rob Gurney said, “I am pleased to report the results for the half year ended 31 December 2013. The past six months have represented a significant transformation for the Group with the achievement of a number of important milestones in the implementation of the Company’s transformation plan.

“For the half year ending 31 December 2013, the Group achieved an Adjusted EBITDAI of $19.0 million which is 25% lower than the corresponding period last year. Consistent with previous guidance, the half year result reflects the impact of the transition to helloworld and the realignment of the commercial arrangements between HLO and its franchisees and members.

“The results for the half year ended 31 December 2013 reflect a continued focus by HLO on operational efficiency and cost reduction measures as well as the implementation of the transformation strategy. The market continues to experience a decline in average selling prices across both domestic and international air product, while HLO has also experienced a change in the mix of Wholesale TTV during the period. We have continued to maintain our focus on cost containment and realising the benefits of the restructuring initiatives. Operating costs in the first half were $13.2 million or 9% lower than the corresponding period last year.

“The Group’s Loss before tax of $3.9 million was impacted by the $5.4 million loss recorded on the disposal of the Inbound businesses and implementation costs of $9.1m associated with the Company’s transformation plan. The Group recorded a profit before tax of $10.7 million excluding the impact of these non-recurring items.

“This outcome is in line with expectations during a period when the Group has been engaged in implementing the transformation plan. Over the past six months we have announced the launch of the new consumer brand, helloworld and entered into a strategic alliance with Orbitz Worldwide Inc for helloworld online. Our digital offering, helloworld.com.au has launched to consumers and we are focused on growing our online offering. On 10 February, Jeremy Reitman joined Helloworld as CEO of helloworld.com.au. Jeremy has over 16 years’ of global online marketing experience and most recently was Director of Search Engine Optimisation at Expedia APAC. Jeremy’s experience is an important component in the transformation strategy.

“In November HLO entered into a licensing agreement with American Express Global Business Travel. This agreement enables agents who were previously branded Travelscene American Express to re-brand as helloworld American Express, while providing the opportunity for other helloworld agents to adopt this co-branding. The agreement with American Express Global Business Travel builds on the success of the long-standing relationship between American Express and Travelscene.

“In February we launched the helloworld brand to the Australian consumer through an extensive marketing campaign. At the date of this announcement, over [650] agents have signed agreements to join Helloworld across the three retail models and we are well progressed in the store refresh program, which will continue over the next 12 months”, said Mr. Gurney.

helloworld concept store

Segment Performance

Retail Segment

The Retail segment generated TTV of $1.9 billion for the half year ended 31 December 2013 increasing 2.7% on the prior comparative period. The Retail segment generated Adjusted EBITDAI of $28.5 million which is a 12.1% decrease on the prior year corresponding period result of $32.4 million.

The revenue margin has declined from 5.3% to 4.7% in the half year due primarily to the continued decline in average air selling prices. Operating costs in the Retail segment decreased by $6.2 million (9.5%) for the half year reflecting a continued focus on cost management.

Wholesale Segment

Adjusted EBITDAI for the Wholesale segment for the six months ending 31 December 2013 was $2.1m with TTV attributable to the Wholesale segment increasing by 0.7% to $380 million. Net Revenue of $43.8m decreased by 15% compared to the prior comparative period.

The 1H FY14 results include trading for the ATS Inbound business until the disposal of the business on 30 September 2013. When the Inbound business trading is excluded, Wholesale TTV increased by 7.4% and Net Revenue decreased by 8.2%.

The revenue margin for the Wholesale segment for the half year ended 31 December 2013 has decreased from 13.7% to 11.5% reflecting growth in lower margin cruise volumes and the mix of business between online and offline channels.

Operating costs in the Wholesale segment have reduced by 9.3% due to a continued focus on productivity improvement and operational efficiencies. We expect to see an improved result in Wholesale into FY15 as the business continues to realise the benefits of the restructuring and productivity improvement initiatives as well as the broader impact of higher penetration of preferred product through the HLO network.

Travel Management Segment

TTV attributable to the Travel Management segment decreased by 7.5% to $283 million for the half year ended 31 December 2013. Despite the decline in TTV, the Travel Management segment reported an improved result with the Adjusted EBITDAI loss of $1.4 million for the half year ended 31 December 2013. This represents an improvement of 26.1% compared to the prior comparative period loss of $1.8 million.

The reduction in TTV is attributable to QBT and primarily reflects reduced corporate customer volumes. A focus on pricing initiatives minimised the impact of the lower TTV, with the revenue margin decreasing by 0.1% from 6.5% to 6.4%.

Operating expenses in the Travel Management segment decreased by $2.3 million (10.6%) during the half year reflecting the benefit of the restructuring initiatives implemented throughout the year ended 30 June 2013.

Liquidity and Funding

Total cash on hand at 31 December 2013 was $172.4 million consisting of client funds of $138.7 million and general cash of $33.6 million.

The Group reported a net cash outflow from operating activities for the half year ended 31 December 2013 of $53.6 million. The outflow is in line with seasonal trends and includes the payment of strategic implementation costs which were funded from existing cash reserves.

At 31 December 2013, the Group had access to total finance facilities (including letter of credit facilities) of $82.5 million with $36.2 million utilised and remaining headroom available of $46.3 million.

Dividend

In accordance with the dividend policy, the Board has determined that the Company will not pay an interim dividend.

Outlook

Mr Gurney says the long-term strategy for HLO 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. We are well progressed on our transition and are focused on completing the transformation over the next 12 months.

The second half of the financial year ending 30 June 2014 will represent a period of investment in the implementation of the helloworld brand and growing our digital business. Trading during January is in line with expectations. Whilst it is difficult to predict with certainty the outcome for the rest of the financial year, particularly with the seasonal skew to the second half, the indications are that the Group is tracking within the previously stated range of Adjusted EBTIDAI of $40 million to $45 million for the full year to 30 June 2014. The Adjusted EBITDAI outcome excludes costs associated with the implementation of helloworld and the loss on disposal of the Inbound business. It is currently anticipated that HLO will incur operating costs associated with the implementation of helloworld in the second half of this financial year in the range of $7 million to $9 million. These costs are not included in the Adjusted EBITDAI outlook.

The investment required to implement the long term strategy remains in line with the previous guidance in the range of $35 million to $40 million with implementation expected to be completed by 31 December 2014. This investment is forecast to be met from existing cash reserves and available undrawn committed bank debt.

The Australian travel industry continues to forecast growth in TTV and HLO 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 are pleased with the progress and momentum of the implementation of helloworld. The rate of sign-up of agents and members is in line with our expectations and the store refresh program is well underway. We remain focused on margin management and cost discipline to ensure that the strategy 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

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Appendices:

About the Helloworld Group

The Helloworld 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.

Reconciliation of Adjusted EBITDAI

A reconciliation of Adjusted EBITDAI to (loss)/profit before income tax is provided as follows:

	December 2013 $'000	**December 2012 $'000**
Adjusted EBITDAI	**19,009**	**25,279**
Preliminary loss on disposal of investments	(5,444)	-
Strategic review costs	(9,118)	(2,275)
Share-based payments	(886)	(413)
Legal costs relating to GST matter	(229)	-
Legal costs relating to disposal of investments	(50)	-
CEO retirement costs	-	(797)
EBITDAI	**3,282**	**21,794**
Depreciation	(2,636)	(2,802)
Amortisation	(2,702)	(2,220)
Finance costs	(1,821)	(1,843)
(Loss)/profit before income tax	**(3,877)**	**14,929**