



**HELLOWORLD ANNOUNCES RESULTS**

**FOR THE YEAR ENDED 30 JUNE 2015**

**28 August 2015**

**HIGHLIGHTS FOR THE YEAR ENDING 30 JUNE 2015 (FY15)**

- Total Transaction Value (TTV) of \$4.7 billion
- Adjusted EBITDAI of \$27.5 million
- Revenue from operating activities of \$279.2 million
- Loss before tax of \$198.4 million stated after non-cash goodwill impairment of \$205.3 million. The Adjusted Profit before tax<sup>1</sup> was \$6.9 million, a significant improvement on the FY14 loss of \$1.7m.
- Positive momentum in the business with key achievements including:
  - Bricks and mortar network of high calibre agents, on a like for like basis, generated TTV in line with the prior year, a pleasing result given market conditions;
  - 75% of both the agent and agency award winners at the 2015 National Travel Industry Awards were members of *helloworld*;
  - QBT appointed as sole provider of travel management services for Whole of Australian Government;
  - Increased profitability of the Travel Management segment;
  - Prompted brand awareness has more than tripled, driven by ongoing marketing investment in *helloworld*;
  - Strong growth in *helloworld.com.au* continues with Hotel and Air TTV up 245% and 95% respectively in the second half of the year; and
  - Travel Indochina rebranded to Insider Journeys and won the 2015 NTIA Award for Best Specialty Wholesaler.

**SUMMARY OF RESULTS**

Helloworld Limited (ASX: HLO) today announced its results for the year ended 30 June 2015.

	<b>30-June-15</b>	<b>30-June-14</b>	
	<b>\$ million</b>	<b>\$ million</b>	<b>% Change</b>
Total transaction value (TTV) <sup>2</sup>	4,696.2	4,861.0	(3%)
Revenue	279.2	291.7	(4%)
Adjusted EBITDAI <sup>3</sup>	27.5	40.6	(32%)
Loss before tax	(198.4)	(61.2)	(224%)
Loss after tax attributable to members	(201.1)	(63.3)	(218%)
	<b>Cents per share</b>	<b>Cents per share</b>	<b>% Change</b>
Basic loss per share	(45.66)	(14.38)	(218%)
Diluted loss per share	(45.66)	(14.38)	(218%)

<sup>1</sup> Adjusted Profit before tax represents Profit before tax and impairment

<sup>2</sup> Total Transaction Value (TTV) does not represent revenue in accordance with Australian Accounting Standards. TTV represents the price at which travel products and services have been sold across the Group, as agents for various airlines and other service providers, plus revenue from other sources. The Group's revenue is, therefore, derived from TTV. Total TTV does not represent the Group cash inflows as some transactions are settled directly between the customer and the supplier. This information has been extracted from Note 6 of the accompanying Financial Statements.

<sup>3</sup> Adjusted EBITDAI is earnings before interest expense, tax, share-based payments, depreciation, amortisation and impairment adjusted for significant and/or unusual items of revenue or expense. Adjusted EBITDAI is a financial measure which is not prescribed by Australian Accounting Standards but is the measure used by the Board to assess the financial performance of the Group and operating segments. A reconciliation of Adjusted EBITDAI to Loss before tax is contained in Note 6 of the accompanying Financial Statements.

The Group's Loss before tax of \$198.4 million includes a non-cash goodwill impairment charge of \$205.3 million. The Group's Balance Sheet had included a number of intangible assets which arose from a number of legacy transactions including the 2010 merger of Stella Travel Services Pty Ltd and Jetset Travelworld Limited. The Board determined and announced in early August 2015 that based on a number of factors it was prudent to write down the goodwill balance and incur a non-cash impairment charge of \$205.3 million. The goodwill write down is a non-cash charge which will be recognised in the statutory results with no impact on HLO's cashflows or ongoing operations.

The Group achieved an Adjusted EBITDAI of \$27.5 million, a result that was within the range of the previously stated market guidance. The result includes the ongoing investment in building the *helloworld* brand and the investment in *helloworld.com.au*.

HLO's operating expenses for FY15 are \$251.8 million compared to the prior comparative period of \$251.1 million. This outcome reflects our continued focus on cost containment which provides HLO the flexibility to invest in growth opportunities.

At 30 June 2015, the Company held a cash balance of \$176.1 million comprised of general cash of \$27.4 million and client cash of \$148.7 million. HLO had a positive net cash position and headroom in its debt facilities of \$60.8 million. The Company has a strong balance sheet and is positioned for long-term sustainable growth.

### Segment Performance

Analysis by business segment	Retail \$'000	Wholesale \$'000	Travel Management \$'000	Corporate / Unallocated \$'000	Consolidated \$'000
<b>Year ended 30 June 2015</b>					
<b>TTV</b>	3,429,056	667,135	599,978	-	4,696,169
Total segment revenue	151,933	82,276	41,148	3,866	279,223
Operating expenses	(120,039)	(69,148)	(35,898)	(26,683)	(251,768)
<b>Adjusted EBITDAI</b>	<b>31,894</b>	<b>13,128</b>	<b>5,250</b>	<b>(22,817)</b>	<b>27,455</b>

### Retail Segment

The Retail segment comprising HLO's bricks and mortar network of franchisees and members and online business, *helloworld.com.au*, generated TTV of \$3.4 billion for the year ended 30 June 2015, representing a reduction of 4% compared to the prior year. The Retail segment generated Adjusted EBITDAI of \$31.9 million which is a 37% decrease on the prior year result of \$50.5 million. Revenue decreased by 5% to \$151.9 million with operating costs increasing by 9% to \$120.0m for the year. The increase in operating costs of \$9.9 million is attributable to the completion of the transformation to *helloworld*, the enhanced agent incentive structure and the investment in marketing to grow *helloworld's* brand presence in the Australian market.

The Retail result reflects the full year impact of the 8% reduction in agent numbers following the *helloworld* transformation that commenced in July 2013. The result also includes the impact of the significantly improved agent incentives, the on-going investment in consumer marketing to accelerate *helloworld's* brand presence and create our truly digital platform *helloworld.com.au* from the ground up. While there has been a slight reduction in the retail network year on year, the network has now stabilised at close to 1,700 locations across Australia and New Zealand.

### Wholesale Segment

Adjusted EBITDAI for the Wholesale segment for the year ended 30 June 2015 was \$13.1 million representing an increase of 6% on the prior year's result of \$12.4 million. TTV decreased by 6% from \$708.2 million to \$667.1 million. Net Revenue of \$82.3 million decreased by 7% compared to the prior year with operating costs decreasing by 9%. The results for the year ended 30 June 2014 include three months of trading of the ATS Inbound business (disposed on 30 September 2013). When the Inbound business trading is excluded TTV and Net Revenue both decreased by 3% with operating costs decreasing by 5%. The operating cost reduction reflects the continued focus on cost management, primarily through employee cost savings, with the ongoing investment in technology improving productivity.



The Revenue Margin for the year ended 30 June 2015 remains at 12.3% (prior year Revenue Margin is 12.3% excluding the ATS Inbound business).

### **Travel Management Segment**

The Travel Management segment generated an Adjusted EBITDAI of \$5.3 million representing an increase of \$4.7 million on the prior year.

TTV attributable to the Travel Management segment increased by 6% to \$600 million for the year ended 30 June 2015. The growth in TTV primarily reflects the appointment of QBT as the sole provider of travel management services to the Whole of Australian Government (WoAG) during the year. The services provided to WoAG include travel management, an online portal and booking tool, reporting and offline booking services. The appointment is also the key driver of the Travel Management segment's Revenue increase of 10% from the prior year.

Operating expenses in the Travel Management segment decreased by \$1.1 million or 3% during the year as a result of restructuring initiatives and productivity improvements. The Travel Management segment has continued to invest in innovative technology in order to drive efficiency and automation through the business.

Ongoing momentum in this segment is expected following the transition of all the Australian Government agencies effective 1 July 2015. The WoAG contract is for an initial period of four years, with certain extension provisions.

### **DELIVERING ON OUR STRATEGY**

In commenting on the results, CEO Ms Elizabeth Gaines said, "We have continued to make strong progress in our strategy to future-proof our business to drive results for our shareholders, agents and customers. We are doing this through strategic investment in technology, training, product and profile to showcase our agents as the Experts in Everywhere and we are delivering on our vision of *Creating the future of travel with each journey.*"

"We have succeeded in our goal of creating a network of high-calibre agencies, including many of the industry's leading corporate and retail travel agents. This is reflected in the fact that our franchisees and members dominated the 2015 National Travel Industry Awards, winning an impressive 75% of both the agent and agency awards."

"Strategic marketing investment has driven a tripling in brand awareness. *helloworld's* prompted brand awareness continues to grow amongst travelling Australians with the latest research confirming a further significant boost to 34%, up from the November 2014 result of 26% and the May 2014 result of 10%. This significant and continual growth in brand awareness since the February 2014 launch of *helloworld* to Australian travellers is very pleasing."

"During the year, a further 50 legacy brand agents in Australia converted to the *helloworld* network while the New Zealand network grew by 13%. Our network of high-calibre, high-performing corporate and leisure agencies remains stable and totals almost 1,700 stores across Australia and New Zealand. On a like for like basis, our retail network's TTV performance is in line with the prior year, a pleasing result given subdued market conditions.

"QBT finalised the transition on 1 July 2015 of all agencies under WoAG. This transition has been one of the largest and most intricate transitions in Australian travel history and involved 142 entities, the upload of more than 120,000 traveller profiles and the migration to a single online booking tool. The transition was successfully accomplished, on time and QBT's customer service to its other corporate customers has remained at high levels during the transition process."

"The appointment was the result of the hard work and dedication across the entire QBT business in delivering excellent service and capability and provides a powerful platform for on-going growth and the success of QBT."

### **PRODUCT THAT DELIVERS FOR AGENTS AND CONSUMERS**

"We have continued to work closely with our suppliers to develop product that allows our franchisees and agents to successfully meet their customers' expectations. Our wholesale brands have also transformed to meet these changing expectations with new products and new ways of doing business.

"The February 2015 rebrand of our Asia travel specialist Travel Indochina to Insider Journeys to better reflect the wider range of destinations and tailored solutions has provided important market differentiation. Insider Journeys won the prestigious NTIA 2015 Award for Best Speciality Wholesaler."

“HLO announced in December 2014 that it had entered into an agreement with Cover-More for Cover-More to be the sole preferred travel insurance supplier for the HLO retail travel agency networks. This commercial joint venture arrangement has allowed us to consolidate the supply and support of a vital higher margin product while guaranteeing the stability of a key revenue source for our members and the network. The joint venture provides us with the flexibility and capabilities to build products that better meet consumer needs and thereby enhance the product offering and sales of our franchisees and agents.

#### *TRAINING TO PROMOTE TRUST AND TRACTION*

“Our focus on customer service excellence to ensure our brands are valued and trusted is critical to achieving our goal of a sustainable business powered by a network of agents of calibre. Our *helloYou* customer service training initiative commenced in November 2014 and has now been successfully rolled out nationally to all of our brand-carrying agents in Australia. Feedback on this training has been exceptional.”

“Engagement with our Owner and Managers across our fully Branded, Associate and Affiliate models remains extremely strong. Sentiment amongst our Owners, Managers, and their frontline consultants remains overwhelmingly positive with delegates attending recent conferences indicating extremely high satisfaction.

#### *TECHNOLOGY*

“We have proprietary technology already rolled-out, with much more in the pipeline. Our in-house IT innovators are delivering initiatives that join the dots for our agents so that they’re more productive and efficient. We are leading the way with our in-house technology which is already delivering for our agents and our business through initiatives including our agent Automated Itinerary Solutions and productivity tools. We’re also proud of our involvement in Qantas’ New Distribution Capability (NDC)<sup>4</sup> pilot through our *helloworld for business* network which is a world first.

“Our omni-channel strategy captures the growing online revolution, driving business to our agents, and ensuring they have an optimum online presence. We’ve automated content delivery within a branded environment for our franchisees and our Independent agents. We have developed business intelligence dashboards that allow our agents to benchmark performance, sales and support of preferred suppliers so that they maximise their returns.”

“We made the strategic decision to build a new multi-channel platform from the ground up in order to achieve a truly digital offering with a mobile presence for our business and for our franchisees. In this rapidly changing marketplace we need to do business wherever our customers are and *helloworld.com.au* is a critical part of our omni-channel strategy. Our partnership with Orbitz Worldwide, Inc has ensured speed to market. As with any start-up, this has required a substantial investment which has impacted the FY15 Adjusted EBITDAI results by \$4.2 million.”

“*helloworld.com.au* allows us to capture revenue from online bookings, boost our brand visibility, extend our reach and channel enquiries to our agents. Both a *helloworld.com.au* Android and iOS app have been launched with the Apple store naming the *helloworld.com.au* app as a “Best Travel App” within the first week of release.”

#### ***Liquidity and Funding***

The Group maintains a strong balance sheet with net assets of \$177.5 million and a positive net cash position at 30 June 2015.

At 30 June 2015 the Group has long term debt of \$23.2 million (2014: \$23.3 million), net of \$1.6 million of deferred borrowing costs (2014: \$2.0 million) and remaining headroom available in our finance facilities of \$60.8 million.

Total cash as at 30 June 2015 for the Group was \$176.1 million (2014: \$184.3 million). General cash at 30 June 2015 was \$27.4 million compared to \$28.5 million at 30 June 2014. This is a positive result considering that during the year the Group funded the cost to complete the strategic transformation.

Net cash inflow from operating activities was \$4.7 million (2014: outflow \$30.8 million). The operating cash inflow for 30 June 2015 was primarily as a result of improved working capital management during the year and the reduction in strategy transformation costs.

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<sup>4</sup> <http://www.iata.org/whatwedo/airline-distribution/ndc/pages/default.aspx>

### ***Dividend and On-market Share Buy-back Program***

HLO has previously stated that its policy is to pay a dividend payout ratio in the range of 40-60% of net profit after tax. As HLO made a loss for the year ended 30 June 2015 due to the goodwill impairment charge and in accordance with the dividend policy the Board determined that HLO will not pay a final dividend in 2015.

The on-market share buy-back program of up to 2.5% of the Company's issued share capital has continued through the full year. The Board considered that it was appropriate to establish a buy-back program to give the Company flexibility to repurchase shares on an opportunistic basis, particularly in times of market or share price volatility. The buyback concluded on 27 August 2015. A total of 218,374 ordinary shares or 0.05% of the Company's issued share capital was acquired by the Company under the buyback and cancelled.

### **OUTLOOK**

"While market uncertainties continue and consumer sentiment fluctuates, HLO remains focused on delivering for shareholders, agents, partners and consumers," Ms Gaines said.

"Our research suggests that total tourism spend (excluding inbound) in Australia is estimated at around \$128 billion and expected to grow at around 3.2% pa over the next 5 years. Our research shows travellers are 5 times more likely to use an agent for more complex bookings. Future-proofing HLO's agents, and the business through technology, training, product and profile supported by our omni-channel strategy remains HLO's priority."

"HLO has already made great progress in positioning its agents and business for success through growth in revenue from marketing initiatives and product offerings, a focus on cost containment, productivity enhancements and margin optimisation. While it is too early to predict the trading environment for the next financial year, we anticipate a substantial increase on our FY15 Adjusted Profit before tax result of \$6.9 million. The transition of the New Zealand business to *helloworld* during the course of the current financial year will deliver further synergies across staffing, branding and technology. The benefits of these synergies are expected to be realised in the financial years beyond FY16. The Company has a strong balance sheet, a stable network of high-performing agents, a growing and strategic online presence and is positioned for long-term sustainable growth."

ENDS

**Media enquiries - LJ Loch [ljloch@republic.net.au](mailto:ljloch@republic.net.au) m 0439 633 429 or David Mair [dmair@republic.net.au](mailto:dmair@republic.net.au)**

### **About HLO:**

- Helloworld Limited (ASX: HLO) is a leading Australia based travel distribution company, comprising retail travel businesses, air ticket consolidation, wholesale, corporate and online operations. This includes *helloworld*, Australia's largest network of franchised travel agents, and [helloworld.com.au](http://helloworld.com.au).
- *helloworld* is a nationwide network of independently owned and operated stores, offering Australian travellers unparalleled convenience, industry-leading service and the best value, tailor-made holidays.
- *helloworld* was awarded Australia's Best Travel Agency Group (100 outlets or more) at the 2014 National Travel Industry Awards.
- *helloworld* has been creating lasting travel memories for more than 40 years through the Harvey World Travel, Jetset Travel, Travelworld and Travelscene American Express brands.

**APPENDIX:**

**Reconciliation of Adjusted EBITDAI**

A reconciliation of Adjusted EBITDAI to loss before income tax is provided as follows:

	<b>30 June 2015 \$'000</b>	<b>30 June 2014 \$'000</b>
<b>Adjusted EBITDAI</b>	<b>27,455</b>	<b>40,561</b>
Gain/(loss) on disposal of investments	340	(5,533)
Business transformation costs	(2,101)	(15,847)
Share-based payments	(83)	(115)
Costs relating to GST matter	(617)	(2,738)
Actuarial adjustment on defined benefit pension	(710)	-
Former CEO resignation/retirement costs	(233)	(608)
<b>EBITDAI</b>	<b>24,051</b>	<b>15,720</b>
Depreciation	(5,928)	(5,763)
Amortisation	(7,993)	(8,269)
Impairment of goodwill	(205,300)	(59,500)
Finance costs	(3,227)	(3,354)
<b>Loss before income tax</b>	<b>(198,397)</b>	<b>(61,166)</b>