



Helloworld Limited results announcement for the year ended 30 June 2016

HIGHLIGHTS FOR THE YEAR ENDED 30 JUNE 2016

- Total Transaction Value (TTV) of \$5.1 billion
- EBITDA of \$25.3 million
- Profit before tax of \$3.5 million
- Basic earnings of 1.9 cents per share
- Fully franked final dividend of 2.0 cents per share – The first dividend since 2013
- Positive momentum in the business continues with key achievements including
 - Merger with AOT successfully completed 1 Feb 2016. \$17.1 million merger synergies and cost reductions identified
 - Winner of Best Travel Agency Group (Helloworld), Best Non-Branded Agency Group (Helloworld for Business) and Best Domestic Wholesaler (Sunlover Holidays) at 2016 NTIA Awards
 - New two year commercial deal with Qantas
 - New commercial partnership with Jetstar
 - Key partnerships with Basketball Australia (“Helloworld Boomers”), Volleyball Australia (“Helloworld Volleyroos”) and the Carlton Football Club
 - Rebrand of Concorde Agency Network & Helloworld Affiliates to “My Travel Group”
 - Continued growth of the QBT Travel Management division (TTV growth 38%) and appointment as provider of travel management for NT government & PwC.
 - Refocused retail promotions with more targeted and exclusive advertising
 - Re-engagement with the Helloworld family

SUMMARY OF RESULTS

Helloworld Limited (ASX: HLO) today announced its results for the year ended 30 Jun 2016

	FY16 \$m's	FY15 \$m's	FY16 vs FY15 % Change	FY16 Pro-forma ¹ \$m's
Total transaction value (TTV)	5,088.0	4,696.2	8.3%	5,327.5
Revenue	297.9	279.2	6.7%	334.5
Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA)	25.3	24.1	5.2%	40.3
Profit/(loss) before tax	3.5	(198.4)	101.7%	16.6
Profit/(loss) after tax	1.7	(201.1)	100.8%	11.5

	Cents per Share	Cents per Share	FY16 vs FY15 % Change	Cents per Share
Basic earnings/(loss) per share	1.9	(274.0)	100.7%	12.9
Diluted earnings/(loss) per share	1.9	(274.0)	100.7%	12.9
Interim dividend per share	-	-	-	-
Final dividend per share	2.0	-	-	2.0

¹ Refer to Appendix 1 for reconciliation of FY16 Pro-Forma results

The FY16 year has been a year of change for Helloworld Limited following the merger with the AOT Group on 1st February, 2016. As can be seen from the pro-forma results, AOT brings a long tradition of outstanding financial performance and tight cost management to the HLO business and the identified synergies and cost reductions which have been and are being implemented will continue to see improved financial performance for HLO in the years ahead. Our retail networks in Australia and New Zealand are strong, our wholesale and inbound businesses are doing well and our corporate travel businesses are continuing to grow.

In FY17 we will align our bricks and mortar franchise network distribution with our on-line distribution platforms to create an integrated solution giving our customers the best of both worlds – full service agency advice and protection combined with fully functional and easy to use on-line tools. Customers will have the choice of in store, by phone or on-line to make their bookings in a very seamless way and in the knowledge that they have the support and back up of their agency at all times.

Online Travel Agents can never match the 24/7 service our network offers with over 700 network members in our branded and associate networks in Australia and New Zealand and over 7,000 retail travel consultants crafting, monitoring and managing travel arrangements for over 2 million customers annually.

In wholesale we are expanding our product range while our inbound businesses, with clients in 73 countries, are seeing increased demand globally for our Australian, New Zealand and South Pacific destinations.

And our corporate division is also going from strength to strength with increased demand from existing and new clients, strategic tie ups with major technology partners including Amadeus, Serko and Concur and our membership of Global Star.

Segment Performance

Retail Segment

The Retail segment generated TTV of \$3.6 billion for the year ended 30 June 2016, representing an increase of 3.5% compared to the prior year. Revenue decreased by 2.9% to \$147.5 million with operating costs decreasing by 4.5% to \$114.5 million for the year. The revenue margin for the year decreased from 4.4% to 4.2%. The Retail segment generated divisional EBITDA before shared services of \$33.0 million which is a 3.2% increase on the prior year result of \$31.9 million. After the allocation of shared service net costs, the segment net profit amounted to \$6.2 million.

The retail segment has seen a stabilisation in network numbers across our networks in Australia and New Zealand. Agents are continuing to generate significant transactional value despite the drop in air fares and demand from the travelling public remains strong. Issues surrounding competition from the helloworld.com.au site with our Helloworld branded agency networks are now over and a change in direction in our advertising and promotions strategy has been very well received by consumers, by our agents and by our supplier partners.

Travel Management Segment

TTV attributable to the Travel Management segment increased by 22.7% to \$736.2 million for the year ended 30 June 2016. The growth in TTV primarily reflects the appointment of QBT as the sole provider of travel management services to the Whole of Australian Government during the year. The services provided to the Whole of Australian Government 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 22.6% from the prior year. The Revenue margin remained consistent at 6.9%.

Operating expenses in the Travel Management segment increased by \$3.4 million or 9.5% during the year, far less than the 22.7% TTV increase. This was as a result of restructuring initiatives and productivity improvements in the business. The Travel Management segment has continued to invest in innovative technology in order to drive efficiency and automation through the business.

The Travel Management segment generated divisional EBITDA before shared services of \$11.1 million which is a 112.9% increase on the prior year result of \$5.2 million. After the allocation of shared service net costs, the segment net profit amounted to \$1.4 million.

Wholesale / Inbound Segment

The Wholesale / Inbound segment saw TTV increase 20.2% on last year from \$667.1m to \$801.8m, with divisional EBITDA before shared services for the segment being \$16.6 million representing an increase of 33.6%. Revenue of \$96.7 million increased by 17.5% compared to the prior year with operating costs increasing by 14.6%. After the allocation of shared service net costs, the segment net loss amounted to \$4.1 million.

The Revenue Margin for the year ended 30 June 2016 was 12.1% compared to the prior year of 12.3%.

The results for the year ended 30 June 2016 includes five months of trading from the AOT Group business (acquired on 1 February 2016). Over this period, AOT had a net profit of \$3 million.

Liquidity and Funding

Helloworld's balance sheet remains strong with a positive net cash position and \$36.1 million headroom in available debt facilities.

The total cash on hand at 30 June 2016 was \$202.6 million consisting of client funds of \$176.4 million and general cash of \$26.2 million

General cash used for operations has reduced by \$1.2m from \$27.4m to \$26.2m mainly due to cost associated with the HLO / AOT merger which was partly offset by improved working capital management.

Financing facilities are in place until April 2019.

Dividend

The board has resolved that the company will pay a fully franked final dividend of 2.0 cents per share. The dividend is to be paid on 16 September 2016.

Outlook

The outlook for HLO is very good. The fundamentals of the business are sound and we see continued demand in our retail, wholesale/inbound and corporate divisions. Margins are holding and we expect to see some margin improvement in the year ahead. Tighter cost management including delivery on identified synergies and cost savings will deliver much stronger fiscal outcomes for the business. At the same time we have realigned executive remuneration to more appropriate levels and have resumed paying dividends, a welcome outcome for our shareholders.

Our agency networks are pleased with the new developments in the business, particularly in terms of our brand strategies, our revamped advertising strategies and our on-line activities, which are now fully aligned with the interests of the brand carrying networks.

Suppliers and destination partners are also pleased to see a new focus on delivering sales from our joint marketing initiatives and have re-engaged with the business.

In the corporate travel space, we expect our TTV to continue to grow in the year ahead and to significantly expand this business in the future.

Travel continues to be both a necessity and a pursuit for just about everyone and the demand for our services in the retail, wholesale, inbound and corporate segments continues to grow. As we refine our offerings and align our new digital platforms with our traditional bricks and mortar businesses, we expect to see demand for our fundamental value proposition to significantly increase.

About Helloworld Limited

- Helloworld Limited (ASX: HLO) is a leading Australian based travel distribution company, comprising retail travel businesses, destination management services (inbound) air ticket consolidation, wholesale, corporate and online operations. This includes “*helloworld*”, Australia’s largest network of franchised travel agents, as well as our Corporate, Associate and Affiliate networks, Qantas Holidays, Go Holidays in New Zealand, AOT Inbound, ATS Pacific, QBT, Sunlover Holidays and Insider Journeys
- “*helloworld*” is a nationwide network of independently owned and operated retail travel agencies offering Australia and New Zealand outstanding service, and the best value, tailor-made leisure and corporate travel experiences
- HLO has over 2000 staff located in Australia, New Zealand, Fiji, the USA, South East Asia, India and UK/Europe
- Helloworld is the proud major sponsor of Volleyball Australia and the ***helloworld Volleeyroos*** men’s and women’s national teams and also the ***helloworld Boomers***, the Australian Men’s Basketball team.
- Helloworld is the Official Travel Partner and a Gold Sponsor of Carlton Football Club.

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APPENDIX 1 – Reconciliation of FY16 Pro-Forma results

\$m's	Statutory	AOT	AOT	HLO	Pro-Forma ³
	Reported	Reported ⁴	Merger	Other ⁵	2016
2016	Jul15-Jan16	Costs	Other ⁵	2016	2016
TTV ¹	5,088.0	239.5	-	-	5,327.5
Revenue	297.9	36.6	-	-	334.5
Operating expenses	(272.6)	(23.6)	3.8	(1.8)	(294.2)
EBITDA ²	25.3	13.0	3.8	(1.8)	40.3
Depreciation/amortisation	(18.4)	(1.7)	-	-	(20.1)
Interest	(3.4)	(0.2)	-	-	(3.5)
Profit/(loss) before tax	3.5	11.1	3.8	(1.8)	16.6
Tax expense	(1.8)	(3.9)	-	0.4	(5.1)
Profit/(loss) after tax	1.7	7.2	3.8	(1.2)	11.5

¹ 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 Helloworld Group ("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 Group cash inflows as some transactions are settled directly between the customer and the supplier.

² Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA) is the key internal metric to assess the performance of the operating segments and the Group. EBITDA is a financial measure which is not prescribed by the Australia Accounting Standards.

³ Pro-Forma results represents the revised 2016 HLO performance, incorporating the full 12 months trading result of the AOT Group, adjusted for one off items relating to acquisition costs and the GST legal matter.

⁴ AOT reported results for the 7 months pre-merger 01 Jul 15 to 31 Jan 16.

⁵ GST credit reversal received in Helloworld.