Webjet Limited

ASX release
19 February 2020

Webjet delivers on international WebBeds strategy with record 1H earnings

- First half underlying earnings before interest tax depreciation and amortisation (EBITDA) up 43% to $86.3 million
- Total Transaction Value (TTV) lifted 25% to a record $2.3 billion, revenue up 24% to $217.8 million and underlying NPAT before the impact of acquisition amortisation rose 44% to $55.1 million
- WebBeds has been cemented as the clear #2 global player in just under 7 years since launch and now accounts for over 60% of Group EBITDA
- Expanding WebBeds EBITDA margins are demonstrating efficiency and scale benefits, tracking ahead of plan for the "8/4/4" profitability target(1) and expecting to deliver 4% EBITDA/TTV in FY21
- Resilient result for Webjet OTA business in a challenging environment with soft domestic travel conditions, highlighting brand strength and market leadership
- Despite external challenges from COVID-19, the positive business momentum continues with a forecast FY20 underlying EBITDA of between $147 million and $165 million(5), an increase of 14-28% over FY19(6)

Wednesday 19 February: Webjet Limited (**Webjet** or the **Company**, ASX: WEB) today announced its financial results for the first half of FY20.

The Company delivered another record first half performance with a 43% increase in underlying EBITDA to $86.3 million. The EBITDA margin of 39.6% was up 523 basis points on the back of increasing benefits from global scale. Revenue grew 24% to $217.8 million and underlying net profit after tax (NPAT) excluding acquisition amortisation (AA) rose by 44% to $55.1 million.

The WebBeds business unit continued to take share across all regions and was a significant driver of this volume growth and margin expansion, reporting an 81% increase in EBITDA to $57.3 million. Reflecting a successful organic and acquisition-led international strategy, the division contributed over 60% of total Group EBITDA for the period.

As disclosed to the market on 23 September 2019, the Compulsory Liquidation of WebBeds customer Thomas Cook led to the write-off of $44 million in outstanding receivables which contributed to reducing statutory EBITDA by 14% to $46.4 million.

A robust balance sheet and high cash flow conversion underpins payment of a fully franked interim dividend of 9 cents per share.

Commenting on the result, Managing Director John Guscic said:

> "We are delighted to have produced another record half year, with NPAT (before AA) up 44% to $55.1 million on TTV of $2.3 billion. We continue to grow strongly and are tracking ahead of plan to deliver our "8/4/4" [1] profitability target.
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> Seven years ago we made a strategic decision to transform Webjet from a domestic Online Travel Agency into a global digital travel business. Through a disciplined and targeted approach to international expansion via a combination of organic growth and successful acquisitions, our WebBeds business has become the fastest growing and the second largest B2B accommodation provider in the world, while generating significant shareholder returns over the journey. We have staff in 30 countries selling to over 170 destination countries through clients in more than 130 markets worldwide. Using our industry leading blockchain technology we are leveraging our scale to further improve efficiency and increase margins.
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> Our marketing investment in the Webjet brand helped our B2C business, which accounts for over 50% of all Australian OTA bookings, to maintain revenues and a healthy profit margin despite a challenging six months. While domestic bookings were flat partly due to the bushfires, international bookings were up. Meanwhile in New Zealand the revamped management team at Online Republic is focused on delivering greater efficiencies and improving performance."

GROUP PERFORMANCE

The table below shows results for Webjet Limited's Statutory Result and Underlying Operations. The Statutory Result reflects the write off of $44 million in unpaid receivables during 1H20 following the collapse of Thomas Cook, a customer of the WebBeds business, in September 2019.

1H20 vs 1H19 [2]	Statutory Result		Underlying Operations [3]	
	(includes one-offs)		(excludes one-offs)	
TTV	$2,334m	↑ 25%	$2,334m	↑ 25%
Revenue	$217.8m	↑ 24%	$217.8m	↑ 24%
EBITDA	$46.4m	↓ 14%	$86.3m	↑ 43%
EBITDA Margin	21.3%	↓ 955bps	39.6%	↑ 523bps
Tax	$3.1m	↓ 61%	$8.7m	↑ 10%
NPAT (before AA) [4]	$20.9m	↓ 34%	$55.1m	↑ 44%
NPAT	$9.0m	↓ 64%	$43.2m	↑ 36%
EPS (before AA)	15.4 cents	↓ 41%	40.7 cents	↑ 29%
EPS	6.6 cents	↓ 68%	31.9 cents	↑ 22%
Effective Tax Rate (excl AA)	12.8%	↓ 713bps	13.6%	↓ 343bps

Commenting on the Statutory Result, John Guscic said:

> "The key disappointment during the period was the collapse of Thomas Cook in September 2019. At the time of its collapse, Thomas Cook owed the Company $44 million in unpaid receivables. We wrote off this amount as a bad debt during the period, which impacted the Statutory Result. Given our strong cash position and balance sheet, this outcome has had no material adverse impact on our liquidity."

BUSINESS UNIT PERFORMANCE

WebBeds

WebBeds continues to gain share as the clear #2 global B2B player, with all regions delivering significant EBITDA growth in the period.

- *APAC* - Now the #2 player with meaningful EBITDA being generated
- *Europe* – Delivering growth significantly ahead of underlying market and gaining share as the #2 player in the region
- *AMEA* - Continues to gain share as #1 player in Middle East & Africa and increasing share in the Americas

WebBeds		
Bookings ('000s)	2,410	↑ 53%
TTV	1,470 million	↑ 42%
Revenue	127.5 million	↑ 50%
EBITDA	57.3 million	↑ 81%
TTV / Revenue Margin	8.7%	↑ 46bps
EBITDA Margin	45.0%	↑ 775bps

Webjet OTA

The Australian travel market continues to be challenging with reduced capacity, weaker consumer sentiment and the recent bushfires all impacting demand for travel. Flight bookings continued to grow compared to the previous corresponding period and the Webjet brand strength helped maintain TTV and EBITDA margins notwithstanding slowing demand.

Webjet OTA		
Bookings ('000s)	795	↑ 1%
TTV	708 million	↑ 3%
Revenue	74.8 million	↑ 1%
EBITDA	28.8 million	↑ 0%
TTV / Revenue Margin	10.6%	↓ 27bps
EBITDA Margin	38.6%	↓ 32bps

Online Republic

A new leadership team is now in place and currently restructuring the business to drive greater efficiencies across the 3 divisions. Cars and Motorhomes both performed well with bookings, TTV and revenue all up over the previous corresponding period. A plan is underway to return Cruise to profitability through technology and product enhancements. Restructuring costs in the period impacted EBITDA, in line with guidance.

Online Republic		
Bookings ('000s)	253	⬆ 5%
TTV	156 million	⬆ 7%
Revenue	15.6 million	⬇ 4%
EBITDA	6.6 million	⬇ 9%
TTV / Revenue Margin	10.0%	⬇ 105bps
EBITDA Margin	42.4%	⬇ 264bps

KEY FINANCIAL METRICS

- **Cash conversion** – Cash conversion based on Statutory EBITDA for the period was 102%, in line with the Company's 95-110% target
- **Receivables** – Focus on receivables over 180 days resulted in a reduction from $42.5 million to $21.5 million.
- **Balance sheet** – Thomas Cook bad debt of $44 million written off to the P&L during the period. Gearing levels remain conservative with net debt to underlying EBITDA sitting at 0.35 times.
- **Capital expenditure (CAPEX)** – Underlying CAPEX increased 19%, in part due to full year inclusion of Destinations of the World. Investment in a new ERP/Mid Office solution will increase 2H20 spend by $5 million. FY20 CAPEX expected to be up approximately 20% over FY19. Excluding ERP/mid office costs, FY20 underlying CAPEX expected to be 5-10% more than FY19 – lower than anticipated due to efficiencies across B2B.

DIVIDEND

Commenting on the dividend, Chairman Roger Sharp said:

> "This result is a tribute to the team's ability to deliver profitable growth. The outstanding performance of WebBeds in particular reflects the importance of gaining scale and driving efficiencies in all regions. Maintaining a conservative balance sheet, combined with the ongoing focus on cash conversion, reduced the impact of the Thomas Cook write off, enabling us to declare a fully franked interim dividend of 9 cents."

OUTLOOK AND GUIDANCE

The Company's FY20 EBITDA guidance is now expected to be between $147 million to 165 million(5), an increase of 14-28% over FY19(6).

Commenting on outlook and guidance for FY20, John Guscic said:

> "Based on our 1H20 performance and TTV growth in January 2020, we would have been upgrading our previous FY20 EBITDA guidance. However, we are seeing an impact on bookings and TTV across all our businesses as a result of the current COVID-19 outbreak which will impact 2H20 EBITDA.
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> The key areas of our business that will be impacted are WebBeds (with material slow down in China, subsequent impact to rest of APAC, and a lesser impact in Europe and AMEA), Webjet OTA (with package tours business having a high reliance on China product offerings coupled with a slowing in both international and domestic demand) and Online Republic's Motorhomes and Cruise divisions. In the current environment, it is very challenging to predict with certainty the expected impact on 2H20 EBITDA results. At this stage, our best estimate is a reduction in 2H20 EBITDA of between $7 to 15 million.
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> We expect the impact of COVID-19 to be one-off in nature, impacting earnings during the current period of restricted travel and traveller uncertainty. Based on our experience with previous disruptions to travel, we expect our overall earnings profile to return quickly to prior expectations taking into account re-booking of deferred travel and underlying earnings drivers."

For further information

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All financial results shown are for Underlying Operations [3], and all comparatives restated for AASB16

(1) 8% revenue/TTV and 4% costs/TTV to deliver 4% EBITDA/TTV by FY22
(2) 1H19 restated for AASB16
(3) Underlying Operations - 1H20 excludes acquisition and integration costs ($2.5M), reduction in DOTW earnout liability $14.5M, gain on Umrah Holidays put option $6.7M, consideration adjustment for DOTW ($14.5M) and Thomas Cook bad debt write off ($44M). 1H19 excludes acquisition costs of $6.2M and debt establishment costs of $0.5M associated with DOTW acquisition
(4) AA = Acquisition Amortisation
(5) $142 - 160 million (pre AASB16)
(6) FY19 restated for AASB16