ABN 68 002 013 612

Half-Year Report and Appendix 4D

31 December 2018

Contents	Page

Appendix 4D
Half year results for announcement to the market

NAME OF ENTITY	ABN REFERENCE
Webjet Limited (WEB)	68 002 013 612

1 REPORTING PERIODS

Financial half year ended (current period)	Financial half year ended (previous corresponding period)
31 December 2018	31 December 2017

2 RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key information	31 December 2018 $ m	31 December 2017 $ m	Change $ m	Change %
Revenue from ordinary activities	175.8	360.0	n.m	n.m
Revenue from ordinary activities (after cost of sales)	175.8	132.5	43.3	33%
Profit from ordinary activities before income tax	33.1	26.8	6.3	23%
Net profit attributable to members of the parent company	25.2	18.4	6.8	37%

n.m - not meaningful

Refer pages 4 - 5 for overview of performance.

3 DIVIDENDS

Dividend	Payment date	Cents per share	Franked amount per security at 30% tax
Interim dividend - 31 December 2018	18 April 2019	8.5	100%
Final dividend - 30 June 2018	11 October 2018	12.0	100%
Interim dividend - 31 December 2017	18 April 2018	8.0	100%

4 NTA BACKING

	31 December 2018 cents	31 December 2017 cents
Net tangible asset backing per ordinary share	(179)	(132)

5 DETAILS OF ENTITIES OVER WHICH CONTROL WAS GAINED DURING THE PERIOD

Name of entities	Destinations of the World
Date of gain of control	21 November 2018
Ownership interest acquired	100%
Contribution to Webjet Limited net profit	Refer Note 4 of the accompanying half year report

Corporate Information

Directors

Roger Sharp (Chairman)
John Guscic (Managing Director)
Don Clarke (Independent Non-Executive Director, Deputy Chairman)
Brad Holman (Independent Non-Executive Director)
Toni Korsanos (Independent Non-Executive Director)
Shelley Roberts (Independent Non-Executive Director)

Registered Office

Level 2
509 St Kilda Road
Melbourne Vic 3004
Phone: (03) 9820 9214
Email: webjet@webjet.com.au

Share Registry

Computershare Investor Services Pty Ltd
Level 5
115 Grenfell Street
Adelaide SA 5000
Phone: (08) 8236 2300

Principal Administrative Office

Level 2
509 St Kilda Road
Melbourne Vic 3004

Company Secretary

Tony Ristevski
Level 2
509 St Kilda Road
Melbourne Vic 3004

Solicitors

Minter Ellison
525 Collins Street
Melbourne Vic 3001

DLA Piper
140 William Street
Melbourne Vic 3000

Auditors

Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne Vic 3000

Bankers

National Australia Bank
Level 30, 500 Bourke Street
Melbourne Vic 3000

HSBC Bank Australia Limited
Level 10,333 Collins Street
Melbourne Vic 3000

Australia and New Zealand Banking Group Limited
Level 3, 100 Queen Street
Melbourne Vic 3000

Internet Address

www.webjet.com.au
www.webjetlimited.com

Directors' Report

The directors of Webjet Limited (Webjet, the Company) submit herewith the financial report of the company and its controlled entities for the half-year ended 31 December 2018.

Directors

The names of the directors of the company during or since the end of the half-year are:

Roger Sharp (Chairman and Independent Non-Executive Director)

John Guscic (Managing Director)

Don Clarke (Deputy Chairman and Independent Non-Executive Director)

Brad Holman (Independent Non-Executive Director)

Toni Korsanos (Independent Non-Executive Director)

Rajiv Ramanathan (Independent Non-Executive Director) resigned on 21 November 2018

Shelley Roberts (Independent Non-Executive Director).

Principal activities

The principal activity of the Consolidated Entity is the provision of online travel bookings through B2C and B2B divisions.

B2C Travel

Webjet	Online republic
Established in 1998, Webjet is Australia and New Zealand's largest online travel agency ("OTA"), leading the way in online travel tools and technology. Webjet enables customers to compare, combine and book the best domestic and international travel flight deals, hotel accommodation, holiday package deals, travel insurance and car hire worldwide.	Acquired in June 2016, Online Republic is a global digital travel group based in New Zealand specialising in online bookings of rental cars, motorhomes and cruises.

B2B Hotels

WebBeds, the Company's business-to-business (B2B) travel business, provides online fulfilment of hotel room bookings for travel industry clients (primarily travel agents, OTAs, wholesalers and tour operators) via its online booking platforms. Headquartered in Dubai, WebBeds offers a simplified B2B online solution, placing the broadest range of hotel rooms on sale worldwide into the hands of its partners. It operates in 3 key regions – Americas, Middle East and Africa (AMEA), Europe and Asia-Pacific. WebBeds operates various product brands across the regions including Lots of Hotels, Sunhotels, FIT Ruums, JacTravel and Destinations of the World. Since launching in February 2013, WebBeds is now the #2 global B2B player.

WebBeds		
Product platforms		
Middle East and Africa, America	**Asia Pacific**	**Europe**
Middle East and Africa Launched in February 2013, we now operate in 25 markets and are the # 1 player in the region. Our multi-supply aggregation model allows us to offer unique coverage across the Middle East & Africa. *Americas* Launched in November 2015, the USA is the largest destination for WebBeds customers, and we now operate in 15 countries across Latin America.	Launched in November 2016, we now operate 13 offices in 11 countries across the region. China is our single biggest market in the region, leveraging our strategic partnership with DIDA Travel.	Europe remains one of the most important B2B markets given the significant number of independent hotels and in general, higher TTV margins than other regions. Expanding into Europe in July 2014, we are now the # 2 European player operating in over 30 markets across Europe.

Directors' Report

Key events during the period

In November 2018 the Group acquired 100% of the issued share capital of Destinations of the World and its controlled entities (DOTW). Total consideration paid or payable was US$165.7 million (A$229.2 million), funded by borrowings and a one-for-nine entitlements offer.

DOTW is a pureplay B2B accommodation wholesale platform, headquartered in Dubai. The company has operations through the Middle East, Europe, Asia Pacific and the Americas, connecting highly fragmented suppliers (hoteliers) and travel retailers (travel agents, online travel agents, tour operators, and third party-wholesalers). It has now been integrated into the global WebBeds platform.

Financial Results

	1H19	1H18	Change	
	$m	$m	$m	%
Total transaction value	1,867	1,443	424	29%
Revenue - statutory	175.8	360.0	n.m	n.m
Revenue [(1)]	**175.3**	**131.9**	**43.4**	**33%**
Revenue margin	*9.4%*	*9.1%*		*+25bps*
Operating costs before acqusition and integration costs	(117.3)	(90.9)	(26.4)	29%
EBITDA before acquisition and integration costs	**58.0**	**41.0**	**17.0**	**42%**
EBITDA margin	*33.1%*	*31.1%*		*+199bps*
Acquisition and integration costs	(6.2)	(1.0)	(5.2)	520%
Depreciation and amortisation	(6.8)	(6.3)	(0.5)	8%
Acquisition amortisation	(6.4)	(3.9)	(2.5)	64%
Net interest costs	(5.6)	(3.0)	(2.6)	87%
Taxation expense	(7.9)	(8.4)	0.5	(6.4)%
NPAT	**25.2**	**18.4**	**6.8**	**37%**
NPAT A (before acquisition amortisation)	31.6	22.3	9.2	41%

(1) Excludes interest income. 1H18 is presented after deducting cost of sales.

n.m - Comparison not meaningful as 1H19 shows net commission revenue but 1H18 shows gross revenue, with cost of providing travel services presented in a separate line.

Total Transactional Value (TTV) for the half increased by 29%, representing a 2% increase in B2C and a 65% increase in B2B. B2B growth for the half incorporated 6 months of Jac Travel compared to 4 months in the Prior Corresponding Period (PCP). Adjusting for impact of acquisitions, organic growth was 21% despite softness in the bookings due to the hot European summer.

The increase in directly contracted B2B inventory and greater cross-sell across B2C ancillary products has resulted in the Group's revenue margin increasing by 25bps on PCP.

Operating costs (excluding acquisition and integration costs) increased in line with TTV growth. The net result is that EBITDA before acquisition and integration costs increased by 42% - organically by 10% after adjusting for acquisitions.

Acquisition and integration costs for the current period comprise advisory, legal and restructuring costs incurred for the DOTW acquisition, which successfully completed on 21 November 2018. Full integration of DOTW is progressing well, and the Group is on track to realise the target revenue and cost synergies. PCP costs related to the acquisition of Jac Travel.

Acquired amortisation increased to reflect an extra two months of amortisation of Jac Travel intangibles.

Interest expenses increased from PCP mainly from higher borrowings from the Jac Travel and DOTW acquisitions. A review of the Company's banking structure has been undertaken which will result in a notable decrease in net interest costs in the second half.

The effective tax rate for the period is 23.8%, a decrease from 31.4% in PCP. The decrease in effective tax rate is due to the increased contribution of the B2B business which has a lower effective tax rate.

Additional commentary on performance is included in the media release and investor presentation lodged with the ASX on 21 February 2019.

Balance sheet

	31 December 2018 $m	30 June 2018 $m	Change $m
Cash and cash equivalents	182.7	190.8	(8.1)
Trade and other receivabes	360.0	261.0	99.0
Other current assets	16.9	18.1	(1.2)
Total current assets	**559.6**	**469.9**	**89.7**
Intangible assets	882.3	583.2	299.1
Property, plant and equipment	28.8	22.3	6.5
Other non current assets	9.7	8.1	1.6
Total non current assets	**920.8**	**613.6**	**307.2**
Total assets	**1,480.4**	**1,083.5**	**396.9**
Trade and other payables	519.2	450.7	68.5
Borrowings	21.1	32.2	(11.1)
Other current liabilities	23.4	20.2	3.2
Total current liabilities	**563.7**	**503.1**	**60.6**
Borrowings	191.9	90.5	101.4
Other non-current liabilities	84.2	47.1	37.1
Total non-current liabilities	**276.1**	**137.6**	**138.5**
Total liabilities	**839.8**	**640.7**	**199.1**
Net assets	**640.6**	**442.8**	**197.8**

Cash and cash equivalents decreased by $8 million. However, at 30 June 2018, the cash held included $53 million of delayed supplier payments due to go-live issues with new financial ERP system. Adjusting for this, cash increased by $45 million mainly attributable to surplus cash arising from funds received from the entitlement offer to fund the DOTW acquisition. This cash will be used to settle the DOTW deferred consideration.

The changes in trade and other receivables, and trade and other payables mainly arose from the inclusion of DOTW.

Total non-current assets have increased mainly from intangible assets arising from the DOTW acquisition of $285 million. This will comprise a combination of goodwill, software, supplier and customer contracts and brands, the split of which is currently being determined.

Non-current liabilities increased by $138.5 million, with $100 million arising from the increase in borrowings used to fund the DOTW acquisition. The remaining $38.5 million increase mainly related to the deferred consideration and earn-out consideration payable in 2020 and 2021 respectively.

Dividends

The final dividend for the year ended 30 June 2018 of $0.12 per share fully franked to 100% was paid on 11 October 2018 for a total payment of $14.4 million.

An interim dividend of $0.085 per share fully-franked for the six-month period ended 31 December 2018, totalling $11.5 million, has been declared by the directors for payment on 18 April 2019.

Likely developments and expected results of operations

The Group continues to focus on growing its B2C business organically and anticipates building its B2B business through a combination of organic and inorganic growth.

Subsequent events

Reflecting the global nature of Webjet's business and the highly competitive market for talent, the Company introduced a long-term-incentive plan and equity retention scheme for the senior leadership team (excluding the Managing Director). A total of 2,146,992 options were granted on 1 February 2019 under these plans. A maximum of 1,108,204 options, with an exercise price of $12.97 per share, will vest on 30 June 2021 and have an expiry date of 17 September 2023. A maximum of 1,038,788 options, with an exercise price of $11.97 per share, will vest on 1 December 2022 and have an expiry date of 30 November 2023.

Other than the events noted above, there has not been any other matter or circumstance occurring after the end of the financial six-month period that has significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future periods.

Directors' Report

Auditor’s Independence Declaration

A copy of the auditor’s independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 19.

Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the ‘rounding off’ of amounts in the directors’ report and financial report. Amounts in the directors’ report and financial report have been rounded off to the nearest one hundred thousand dollars in accordance with that Legislative Instrument.

This report is made in accordance with a resolution of directors.

On behalf of the Directors

Roger Sharp
Chairman

Melbourne, 21 February 2019

Consolidated income statement

For the half-year ended 31 December 2018

	Notes	6 months ended 31 December 2018 $ m	2017 $ m
Revenue [1]	3 (a)	166.3	352.6
Other income	3 (a)	9.0	6.8
Interest income		0.5	0.6
		175.8	360.0
Costs of providing travel services [1]	3 (a)	-	(227.5)
Employee benefits		(49.7)	(38.0)
Share based payment expenses		(0.6)	(0.5)
Directors' fees		(0.4)	(0.3)
Marketing expenses		(21.1)	(18.9)
Operating expenses		(22.3)	(17.6)
Technology expenses		(9.7)	(6.5)
Administrative expenses		(6.5)	(5.0)
Finance costs		(6.1)	(3.6)
Depreciation and amortisation		(13.2)	(10.2)
Business acquisition and integration costs		(6.2)	(1.0)
Other expenses		(6.9)	(4.1)
Profit before tax		**33.1**	26.8
Income tax expense		(7.9)	(8.4)
Profit for the period attributable to owners		**25.2**	18.4
Earnings per share:			
Basic (cents per share)		20.7	16.5
Diluted (cents per share)		20.6	16.3

[1] As a result of the adoption of AASB 15, the Group is considered an agent in providing travel services and only recognises net commission receivable as revenue, calculated as gross revenue less cost of providing travel services. Refer Note 3 (a).

Notes to the consolidated financial statements are included on pages 12 to 17

Consolidated statement of comprehensive income

For the half-year ended 31 December 2018

	6 months ended 31 December 2018 $ m	2017 $ m
Profit for the period	25.2	18.4
Items that may be reclassified subsequently to profit or loss		
Exchange difference on translating foreign operations	6.7	2.6
Changes in the fair value of derivatives	(1.8)	(0.1)
	4.9	2.5
Items that have been subsequently reclassified to profit or loss		
Cash flow hedges recycled to profit or loss	**1.0**	0.3
	1.0	0.3
Other comprehensive income for the period, net of income tax	5.9	2.8
Total comprehensive income for the period attributable to owners	**31.1**	21.2

Notes to the consolidated financial statements are included on pages 12 to 17

Consolidated balance sheet
As at 31 December 2018

	Note	As at 31 December 2018 $ m	30 June 2018 $ m
Current assets			
Cash and cash equivalents		182.7	190.8
Trade and other receivables	3(b)	360.0	261.0
Other current assets		16.9	11.3
Loan receivable		-	6.8
Total current assets		**559.6**	**469.9**
Non-current assets			
Intangible assets		882.3	583.2
Property, plant and equipment		28.8	22.3
Deferred tax assets		8.0	6.4
Other non-current assets		1.7	1.7
Total non-current assets		**920.8**	**613.6**
Total assets		**1,480.4**	**1,083.5**
Current liabilities			
Trade and other payables		519.2	450.7
Borrowings		21.1	32.2
Derivative financial instruments		0.1	1.0
Current tax liabilities		5.8	6.4
Provisions		11.8	4.8
Other liabilities		5.7	8.0
Total current liabilities		**563.7**	**503.1**
Non-current liabilities			
Deferred tax liabilities		37.2	37.5
Borrowings		191.9	90.5
Provisions		37.0	1.7
Derivative financial instruments		10.0	7.0
Other non-current liabilities		-	0.9
Total non-current liabilities		**276.1**	**137.6**
Total liabilities		**839.8**	**640.7**
Net assets		**640.6**	**442.8**
Equity			
Issued capital		510.3	329.2
Reserves		17.9	12.0
Retained earnings		112.4	101.6
Total equity		**640.6**	**442.8**

Notes to the consolidated financial statements are included on pages 12 to17

Consolidated statement of cash flow
For the half-year ended 31 December 2018

		6 months ended	
		31 December 2018	31 December 2017
	Notes	$ m	$ m
Cash from operating activities			
Receipts from customers		1,203.3	680.7
Payments to suppliers and employees		(1,209.7)	(680.5)
Net cash (outflow)/inflow from trading activties		**(6.4)**	0.2
Interest and other costs of finance paid		(5.1)	(2.9)
Interest received		0.5	0.6
Acquisition costs paid		(5.9)	(8.2)
Income tax paid		(9.3)	(4.2)
Net cash used in operating activities		**(26.2)**	(14.5)
Cash from investing activities			
Payments for property, plant and equipment		(2.2)	(4.0)
Proceeds from sale of property, plant and equipment		-	0.3
Purchase of intangible assets		(11.9)	(9.0)
Purchase of subsidiary, net of cash acquired	4(d)	(204.9)	(312.2)
Dividends received		0.2	0.1
Net cash used in investing activities		**(218.8)**	(324.8)
Cash flows from financing activities			
Dividends paid to company's shareholders		**(14.4)**	(11.8)
Repayments of borrowings		**(9.1)**	(52.4)
Proceeds from borrowings		**100.0**	166.7
Proceeds from the issue of shares and other equity securities		**160.4**	170.2
Receipts from loan receivable		**7.6**	7.3
Net cash provided by financing activities		**244.4**	280.0
Net decrease in cash and cash equivalents		**(0.6)**	(59.3)
Cash and cash equivalents at the beginning of the period		**190.8**	178.1
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(7.5)**	8.1
Cash and cash equivalents at the end of the period		**182.7**	126.9

Notes to the consolidated financial statements are included on pages 12 to 17

Consolidated statement of changes in equity

For the half-year ended 31 December 2018

	Share capital	Share based payments reserve	Cashflow hedge reserve	Foreign currency translation reserve	Retained earnings	Total equity
	$ m	$ m	$ m	$ m	$ m	$ m
Balance at 1 July 2018	329.2	1.9	(5.2)	15.3	101.6	442.8
Profit for the period	-	-	-	-	25.2	25.2
Amounts in reserves recycled to the income statement	-	-	1.0	-	-	1.0
Other comprehensive income for the period, net of income tax	-	-	(1.8)	6.7	-	4.9
Total comprehensive income for the period	-	-	(0.8)	6.7	25.2	31.1
Transactions with owners in their capacity as owners						
Contributions of equity, net of transaction costs and tax	148.3	-	-	-	-	148.3
Issue of shares as consideration for business combination	25.2	-	-	-	-	25.2
Issue of shares exercised through options	6.9	-	-	-	-	6.9
Share based payment expense recognised for the period	-	0.6	-	-	-	0.6
Transfer from share based payment reserve	0.6	(0.6)	-	-	-	-
Payment of dividends	-	-	-	-	(14.4)	(14.4)
Balance at 31 December 2018	**510.3**	**1.9**	**(5.9)**	**21.9**	**112.4**	**640.6**
Balance at 1 July 2017	136.5	1.5	(1.1)	(1.9)	81.5	216.3
Profit for the period	-	-	-	-	18.4	18.4
Amounts in reserves recycled to the income statement	-	-	0.3	-	-	0.3
Other comprehensive income for the period, net of income tax	-	-	(0.1)	2.6	-	2.5
Total comprehensive income for the period	-	-	0.2	2.6	18.4	21.2
Transactions with owners in their capacity as owners						
Contributions of equity, net of transaction costs and tax	157.4	-	-	-	-	157.4
Issue of shares as consideration for business combination	28.3	-	-	-	-	28.3
Issue of shares exercised through options	6.2	-	-	-	-	6.2
Share based payment expense recognised for the period	-	0.5	-	-	-	0.5
Transfer from option reserve	0.9	(0.9)	-	-	-	-
Payment of dividends	-	-	-	-	(11.8)	(11.8)
Balance at 31 December 2017	**329.2**	**1.0**	**(0.9)**	**0.7**	**88.0**	**418.0**

1 250,000 and 1,000,000 options were exercised during the six-month period at an exercise price of $5.14 and $5.64 respectively.
2 A total of 13,346,230 shares were issued to retail and institutional investors in relation to the rights issue offered to shareholders in November 2018. A total of 2,173,704 ordinary shares at value of $11.61 per share were issued to the former shareholders of Destinations of the World Group as part of the consideration paid to acquire the business. Refer Note 4.

Notes to the consolidated financial statements are included on pages 12 to 17

1 Basis of preparation of half-year report

This general purpose consolidated interim financial report for the half-year ended 31 December 2018 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The historical cost basis has been used, except for financial instruments that are measured at revalued amounts or fair values. The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

The consolidated interim financial report does not include notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the most recent annual financial report and any public announcements made by Webjet Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, excepted as noted in Note 3.

Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest one hundred thousand dollars in accordance with that Legislative Instrument.

2 Segment information

(a) Description of segments

Management has determined the operating segments and the segment information disclosed based on reports reviewed by the Managing Director that are used to make strategic decisions.

The Managing Director considers that all members of the group provide the same service, being Travel Bookings. However, there are two distinct classes of customer; consumers and business. The reportable segments of the Consolidated Entity are – Business to Consumer Travel (B2C Travel) and Business to Business Travel (B2B Travel).

(b) Segment information provided to the Managing Director

The segment information provided to the Managing Director for the period ended 31 December 2018 and 31 December 2017 is set out in the tables below.

	6 months ended 31 December							
	2018	2017	2018	2017	2018	2017	2018	2017
	B2C		B2B		Corporate		Total	
	$ m	$ m	$ m	$ m	$ m	$ m	$ m	$ m
Total transaction value	831	814	1,036	629	-	-	1,867	1,443
Revenue [(1)]	90.2	82.4	85.1	49.5	-	-	175.3	131.9
Operating costs	(54.8)	(50.6)	(55.0)	(36.7)	(7.5)	(3.6)	(117.3)	(90.9)
EBITDA before acquisition costs	**35.4**	**31.8**	**30.1**	**12.8**	**(7.5)**	**(3.6)**	**58.0**	**41.0**
Acquisition costs							(6.2)	(1.0)
Net interest [(2)]							(5.6)	(3.0)
Depreciation, amortisation							(13.2)	(10.2)
Profit before tax							**33.1**	**26.8**
Income tax expense							(7.9)	(8.4)
Profit after tax							**25.2**	**18.4**

[(1)] Excludes interest income. For 1H18 revenue is presented net of cost of providing travel services.
[(2)] Includes interest income

3 Adoption of new accounting standards

(a) *AASB 15 Revenue from contracts with customers*

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted AASB 15 using the cumulative effect method (with practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). The cumulative effect of initially applying the standard was nil, as the timing of revenue recognition has not materially changed.

(i) Revenue streams

An overview of the Group's major revenue streams is shown below.

Major revenue stream	Performance obligation	Transaction price calculated as	Timing of revenue recognition
Booking commission revenue	Successful booking completed	Gross booking value less payable to supplier or percentage of booking value	Point in time ▪ On booking for flights ▪ On check in for hotel bookings
Supplier rebates	Use of supplier services above an agreed threshold	Variable based on the contractual terms	Over time when it is reasonably certain the agreed threshold will be exceeded
Other ancillary revenue (marketing, advertising, merchant fees, insurance commissions)	Service provided	As per contract with customer, percentage of transaction value	Point in time and over time

(ii) Disaggregation of revenue

During the half year, revenue by geographical segment, disaggregated by major revenue stream, and timing of revenue recognition is as follows:

	Revenue recognition	B2C $ m	B2B $ m	Total $ m
Booking commission revenue	*Point in time*	61.4	68.7	130.1
Supplier rebates	*Over time*	15.0	11.4	26.4
Other ancilliary revenue	*Point in time*	9.8	5.0	14.8
	Over time	4.0	-	4.0
Total revenue from contracts with customers (1)		**90.2**	**85.1**	**175.3**

(1) Excludes interest income.

(iii) Contract assets and contract liabilities

AASB 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue' respectively. However, the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Group has adopted the terminology used in AASB 15 to describe such balances.

These balances are included in trade and other receivables, and trade and other payables in the balance sheet.

	B2C $ m	B2B $ m	Total $ m
Contract assets	1.0	16.1	17.1
Contract liabilities	(1.7)	(13.4)	(15.1)

(iv) Significant judgements – the Group is an agent

The Group has concluded that it acts as an agent in providing online travel booking services. Webjet's performance obligation is to arrange for the provision of flights, hotel rooms or other ancillary travel related products by another party (being the airline, hotel, car hire company). For this service, Webjet recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for booking.

Webjet's commission can either be based on a booking fee, or the residual of the amount received from the customer after paying the associated cost to the supplier of the travel service.

Prior to the adoption of AASB 15, there were some instances where Webjet was considered a principal and presented amounts receivable from the customer as "Revenue", and amount paid to the travel service provider (hotel or airline) was presented in a separate line as "Cost of providing travel service".

Under AASB 15, Webjet is treated as an agent, and therefore now presents the residual commission received or receivable as Revenue. Terms and conditions have also been amended to reflect this change. The cost of travel services provided is no longer presented as a separate line. Webjet has not restated comparatives, as permitted under the practical expedient provisions under AASB 15. As a result, a comparison of gross revenue on the face of the income statement will not be meaningful as the current period revenue is presented net of the cost of providing travel services.

3 Adoption of new accounting standards (continued)

(b) AASB 9 Financial instruments

In the current year, the Group has applied AASB 9 Financial Instruments (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 January 2018.

The main changes from AASB 9 impact impairment of financial assets, the classification and measurement of financial assets and financial liabilities, and general hedge accounting as described below.

(i) Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to receivables and accrued or unbilled income (contract assets). Under AASB 9, credit losses are recognised earlier than under the previous standards (AASB 139).

The group applies the AASB 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Expected credit losses are based on the difference between the contractual cashflows due in accordance with the contract and all the cashflows that the Group expects to receive.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled income and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of total transaction value (TTV) over a period of 24 months before 31 December 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables such as GDP, and unemployment rate of the regions in which the customer operates, and accordingly adjusts the historical loss rates if there are material deteriorations to these macroeconomic indicators identified.

The credit loss allowance is calculated by applying the Group credit matrix to the ageing of trade receivables as below. Other receivables represent advance payments to hotel suppliers and non-trading receivables mainly from tax authorities which do not pose a credit risk to the Group.

31 December 2018	**B2C**	**B2B**	**Other receivables**	**Total**
	$ m	**$ m**	**$ m**	**$ m**
Current	68.9	154.7	32.6	256.2
30 - 90 days	0.7	57.6	0.0	58.3
90 - 180 days	0.3	25.2	0.0	25.5
over 180 days	-	16.0	0.0	16.0
	69.9	**253.5**	**32.6**	**356.0**
Contract assets	1.0	16.1	-	17.1
Gross trade and other receivables				373.1
Allowance based on historic credit losses				(3.8)
Adjustment for expected changes in credit risk				(9.3)
Total trade and other receivables				**360.0**

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, for instance when the customer has been declared bankrupt, cannot be located or is unable to meet the agreed periodic payments under a payment plan with the Group.

As a result of the adoption of AASB 9, any impairment of financial assets is presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in other expenses. There has been no impairment of financial assets during the period.

The Group has applied the exception under AASB 9 to not restate comparatives as the credit loss allowance under AASB 9 is materially unchanged to that recognised under AASB 9 in previous periods.

3 Adoption of new accounting standards (continued)

(b) AASB 9 Financial instruments (continued)

(ii) Classification and measurement of financial assets and financial liabilities

The new requirements under AASB 9 changes the classification of certain financial assets by introducing new categories namely fair value through Other Comprehensive Income (FVTOCI) and amortised cost. Financial assets previously classified as available for sale or held to maturity will need to be reclassified into the new classifications, with classification of amortised cost restricted to investments whose cash flows represent solely payments of principal and interest. Typically, these changes impact investments in debt securities and equity instruments (excluding subsidiaries, associates or joint ventures).

The Group does not have any material financial assets that require reclassification as its financial assets mainly comprise cash, receivables and non-complex derivative instruments. Under AASB 9, the Group classified cash and receivables as financial assets at amortised cost, and its derivatives as financial assets at fair value.

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. The Group financial liabilities which comprise trade payables and borrowings are classified as financial liabilities at amortised cost.

(iii) Hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group’s risk management activities have also been introduced.

The changes in AASB 9 have not had a material impact to Webjet’s hedging relationships or its application of hedge accounting.

(c) Other new pronouncements effective from 1 January 2018

In addition to AASB 9 and AASB 15 noted above, the following minor amendments to standards became effective:

- Classification and Measurement of Share-Based Payment Transactions (Amendments to AASB 2)
- Applying AASB 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to AASB 4)
- Transfers of Investment Property (Amendments to AASB 140)
- Annual Improvements to AASB Standards 2014–2016 Cycle (Amendments to AASB 1 and AASB 128)
- Interpretation 22 Foreign currency transaction and advance consideration

The application of the above standards and amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated interim financial report.

4 Acquisition of Destinations of the World

(a) Summary of acquisition

In November 2018 the Group acquired 100% of the issued share capital of Destinations of the World and its controlled entities (DOTW). DOTW is a pureplay B2B accommodation wholesale platform, headquartered in Dubai. The company operates through the Middle East, Europe, Asia Pacific and the Americas, connecting highly fragmented suppliers (hoteliers) and travel retailers (travel agents, online travel agents, four operators, and third party-wholesalers).

(b) Consideration paid

The fair value of the consideration paid or payable was USD 165.7 million (A$ 229.2 million) as follows

	2018 $ m
Consideration paid or payable comprises:	
Cash paid	174.3
New shares issued	25.2
Deferred consideration	46.8
Estimated refund due to working capital adjustment	(17.1)
Net consideration paid or payable	**229.2**

Cash paid was funded by a combination of a fully underwritten accelerated pro rata non-renounceable entitlement offer and new debt funding.

2.2 million shares were issued to the private equity vendors and continuing management shareholders in DOTW. The issue price was $11.61, being the share price on the date of completion.

In addition, a deferred consideration is payable in 6 to 24 months. The value of the deferred consideration is discounted to reflect the time value of money. Deferred consideration is classified as provisions in the consolidated balance sheet.

(c) Identifiable assets and liabilities acquired

The carrying value of the net assets acquired and goodwill are as follows:

	2018 $ m
Bank overdraft	(30.6)
Receivables and other assets	82.3
Property, plant and equipment	6.9
Intangibles excluding goodwill	19.5
Other non-current assets	12.1
Total assets	**90.2**
Trade payables	(105.0)
Payables and other liabilities	(21.6)
Total liabilities	**(126.6)**
Net liabilities assumed	**(36.4)**
Consideration paid or payable	229.2
Intangible assets acquired	**265.6**

As required under AASB 3, Webjet is required to identify the fair value of the asset and liabilities of DOTW at the acquisition date. Given the timing of the acquisition, this exercise is still underway and has not been completed. The carrying value of receivables, property plant and equipment, intangible assets and goodwill are expected to differ from the fair value. Additional intangibles, typically management contracts, software and brand names are expected to be recognised.

Provisionally, for the purpose of the half year report, the excess of the purchase consideration over the carrying amount of net assets acquired have been reflected as part of intangible assets in the consolidated balance sheet.

4 Acquisition of Destinations of the World (continued)

(d) Cash outflow on acquisition

	2018 $ m
Net cash outflow on acquisition	
Cash paid	174.3
Less Bank overdraft assumed	30.6
Net cash paid	**204.9**

(e) Revenue and profit contribution

Contribution of DOTW to the group is as follows:

	Since acquisition $ m	If included from beginning of the period $ m
Total transaction value	77	388
(Loss) / profit before tax	(1.4)	5.3

(f) Business acquisition costs

Business acquisition costs incurred during the period are as follows:

	2018 $ m
Recognised in profit or loss	4.0
Recognised directly in equity	5.2
Total business acquisition costs	**9.2**

(g) Contingent liabilities

There are no contingent assets or liabilities requiring disclosure at the date of this report.

5 Dividends declared after period end

	Half-year ended 31 December			
	2018 cps	2017 cps	2018 $ m	2017 $ m
Fully paid ordinary shares				
Dividends declared	8.5	8.0	11.5	9.5

6 Subsequent events

Reflecting the global nature of Webjet's business and the highly competitive market for talent, the Company introduced a long-term-incentive plan and equity retention scheme for the senior leadership team (excluding the Managing Director). A total of 2,146,992 options were granted on 1 February 2019 under these plans. A maximum of 1,108,204 options, with an exercise price of $12.97 per share, will vest on 30 June 2021 and have an expiry date of 17 September 2023. A maximum of 1,038,788 options, with an exercise price of $11.97 per share, will vest on 1 December 2022 and have an expiry date of 30 November 2023.

Other than the events noted above, there has not been any other matter or circumstance occurring after the end of the financial six-month period that has significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future periods.

Directors' Declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date.

Signed in accordance with a resolution of the directors made pursuant to s.303 (5) of the *Corporations Act 2001.*

On behalf of the Directors

Roger Sharp
Chairman
21 February 2019

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
PO Box 78
Melbourne VIC 3001
Australia

DX 10307SSE
Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

The Board of Directors
Webjet Limited
Level 2
509 St Kilda Road
Melbourne VIC 3004

21 February 2019

Dear Board Members

Auditor's independence declaration Webjet Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Webjet Limited.

As lead audit partner for the review of the financial statements of Webjet Limited for the half year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stephen Roche
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

DX 10307SSE
Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

Independent Auditor's Review Report to the Members of Webjet Limited

We have reviewed the accompanying half year financial report of Webjet Limited, which comprises the consolidated balance sheet as at 31 December 2018, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half year or from time to time during the half year.

Directors' Responsibility for the Half Year Financial Report

The directors of the company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of Webjet Limited's financial position as at 31 December 2018 and its performance for the half year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Webjet Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Webjet Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Deloitte.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Webjet Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stephen Roche
Partner
Chartered Accountants
Melbourne, 21 February 2019