



5 November 2018

## WEBJET ANNOUNCES ACQUISITION OF DESTINATIONS OF THE WORLD AND CAPITAL RAISING

### Key highlights

- Acquisition of Destinations of the World ("**DOTW**"), a market leading B2B travel business that operates across the Middle East, Europe, Asia Pacific and the Americas, with c.US\$529 million in total transaction value ("**TTV**")
- Represents a substantial increase in WebBeds' scale and consolidates WebBeds' position as the #2 global B2B player
- Increases WebBeds' directly contracted hotel relationships from c.23,000<sup>1</sup> to c.28,500<sup>1</sup>
- Attractive earnings growth profile of combined group, to be further enhanced via cost synergies and revenue opportunities to leverage DOTW and WebBeds inventory offerings across each other's distribution networks. Total anticipated synergies across revenue and costs estimated at US\$10 million (A\$14 million) per annum, once fully realised from FY20
- Headline acquisition price of US\$173 million (A\$240 million) represents 10.5x FY18 EBITDA<sup>2</sup> pre-synergies and before any earn-out payment; and 7.5x FY18 EBITDA post run-rate synergies<sup>3</sup> and assuming any earn-out is paid in full
- Performance based earn-out of up to US\$25 million (A\$35 million) payable in 2HFY20<sup>4</sup>
- Estimated to be mid-single digits EPS accretive in FY19 on a pro-forma basis, before synergies and in excess of 20% EPS accretive in FY19 on a pro-forma basis post run-rate synergies<sup>3</sup>
- Strong senior management team, with existing CEO electing to receive Webjet shares as part of his sales proceeds and agreeing to 18 months of escrow

Note: USD:AUD FX conversion assumes a spot rate at 1 November 2018 of 1.3878. Numbers are subject to the effect of rounding.

<sup>1</sup> As at 31 August 2018, DOTW had c.12,300 directly contracted hotels, of which c.5,600 are unique and c.6,700 overlap with WebBeds' existing directly contracted hotels (c.23,000 as at 30 September 2018).

<sup>2</sup> Based on EBITDA for the 12 months to 30 June 2018 as set out in DOTW's unaudited management accounts, adjusted by Webjet management based on its due diligence and to exclude non-recurring items and align to Australian Accounting Standards.

<sup>3</sup> An estimated US\$10 million (A\$14 million) of combined cost and revenue synergies are included, excluding one-off costs to achieve. Webjet expects the DOTW effective tax rate to remain in line with historical rates, as disclosed in the ASX investor presentation.

<sup>4</sup> Earn-out payable above agreed adjusted EBITDA thresholds associated with achievement of enlarged WebBeds B2B EBITDA (including DOTW contribution) for 12 month period ending 31 December 2019.

## Acquisition

Webjet Limited ("**Webjet**") today announced it has entered into a binding agreement to acquire DOTW ("**Acquisition**") for an enterprise value of US\$173 million (A\$240 million). The Acquisition will be funded by a fully underwritten accelerated pro rata non-renounceable entitlement offer ("**Entitlement Offer**"), debt funding and an issue of new Webjet shares to continuing management shareholders and DOTW's existing private equity shareholders, Gulf Capital ("**Vendor Share Placement**").

DOTW is a pure-play B2B accommodation wholesale platform, headquartered in Dubai. The company operates throughout the Middle East, Europe, Asia Pacific and the Americas, connecting highly fragmented suppliers (hoteliers) with travel retailers (travel agents, online travel agents, tour operators and third-party wholesalers).

Webjet's Managing Director, John Guscic said:

*"The acquisition of DOTW continues to consolidate WebBeds' position as the clear #2 player in the global B2B market.*

*DOTW is highly complementary to WebBeds' existing portfolio and significantly enhances WebBeds' existing Asia Pacific and Americas businesses, while further expanding its presence in Europe and the Middle East and Africa regions. In addition to providing 5,600 unique new contracts, the overlap in existing directly contracted hotels will deliver increased depth to our global inventory offering.*

*The addition of DOTW follows our successful transformational acquisition of JacTravel in 2017, with integration now largely complete and sales of JacTravel inventory continuing to drive growth."*

For the 12 months ended 30 June 2018, DOTW generated TTV of US\$529 million (c.A\$734 million) and EBITDA of US\$16.4 million (A\$22.7 million). The Acquisition purchase price is US\$173 million (A\$240 million) to be paid in cash and new Webjet shares. The purchase price represents 10.5x FY18 EBITDA pre-synergies and before any earn-out payment; and 7.5x FY18 EBITDA post US\$10 million (A\$14 million) of combined revenue and cost synergies and assuming any earn-out is paid in full.

The Acquisition is estimated to be mid-single digits EPS accretive in FY19 on a pro-forma basis, before synergies; and in excess of 20% EPS accretive in FY19 on a pro-forma basis post US\$10 million (A\$14 million) of estimated run-rate synergies.

The cash consideration for the Acquisition will be funded by the proceeds of the Entitlement Offer and A\$102 million of debt funding, including a new acquisition debt facility. In addition, approximately US\$20 million (A\$28 million) of new Webjet shares will be issued to continuing management shareholders and the private equity vendor of DOTW at an issue price of A\$12.77 per share. The shares issued under the Vendor Share Placement will represent approximately 1.6% of Webjet's issued capital after completion of the Entitlement Offer. They will be subject to escrow for a period of 18 months for continuing management and up to 12 months for Gulf Capital. Following the acquisition, Pro-forma Net Debt / FY18 EBITDA, before synergies, will be less than 0.8x, which ensures continued balance sheet strength and capacity to pursue further growth opportunities.

The acquisition is expected to complete on Thursday, 22 November 2018.

## Entitlement Offer

The Entitlement Offer is a fully underwritten accelerated pro rata non-renounceable entitlement offer, to raise approximately A\$153 million.

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Under the Entitlement Offer, eligible shareholders are invited to subscribe for 1 new Webjet share for every 9 existing Webjet shares ("**Entitlement**") held as at 7:00pm (Sydney time) on Wednesday 7 November 2018 ("**Record Date**").

The offer price of A\$11.50 per new share represents a 9.9% discount to the theoretical ex-rights price of A\$12.77 on 2 November 2018<sup>5</sup>.

Approximately 13.3 million new Webjet shares will be issued under the Entitlement Offer. New shares will rank equally with existing shares.

### *Institutional Entitlement Offer*

Eligible institutional shareholders will be invited to participate in the Entitlement Offer for institutional shareholders ("**Institutional Entitlement Offer**") which is being conducted today, Monday, 5 November 2018 and tomorrow, Tuesday, 6 November 2018.

Eligible institutional shareholders can choose to take up all, part or none of their Entitlement. Institutional Entitlements cannot be traded on market or transferred.

Institutional Entitlements that eligible institutional shareholders do not take up by the close of the Institutional Entitlement Offer, and institutional Entitlements that would otherwise have been offered to ineligible institutional shareholders, will be offered to new and existing institutional investors concurrently with the Institutional Entitlement Offer.

Webjet's shares will remain in a trading halt pending completion of the Institutional Entitlement Offer.

### *Retail Entitlement Offer*

Eligible retail shareholders in Australia and New Zealand will be invited to participate in the Entitlement Offer for retail shareholders ("**Retail Entitlement Offer**") at the same offer price and offer ratio as the Institutional Entitlement Offer. The Retail Entitlement Offer will open on Monday 12 November 2018 and close at 5.00pm on Thursday 22 November 2018. Eligible retail shareholders who take up their entitlement in full can also apply for additional shares in excess of their entitlement, up to a maximum of 50% of their entitlement, under a 'top-up' facility.

Further details about the Retail Entitlement Offer will be set out in the retail offer booklet, which Webjet expects to lodge with the ASX and despatch on Monday 12 November 2018.

Entitlements cannot be traded on the ASX or transferred. Eligible shareholders who do not take up their Entitlement under the Entitlement Offer in full or in part, will not receive any value in respect to those Entitlements not taken up.

### **Key dates\***

Trading halt and announcement of Offer	Monday, 5 November 2018
Institutional Entitlement Offer and Institutional Bookbuild opens	Monday, 5 November 2018
Institutional Entitlement Offer and Bookbuild closes	Tuesday, 6 November 2018
Trading halt lifted and announcement of results of Institutional Entitlement Offer	Wednesday, 7 November 2018
Record date for determining Entitlements to subscribe for new shares under the Entitlement Offer	7.00pm, Wednesday, 7 November 2018
Retail offer booklet despatched and Retail Entitlement Offer opens	Monday, 12 November 2018

<sup>5</sup> The TERP is a theoretical price at which Webjet shares trade immediately after the ex-date for the Entitlement Offer and prior to the Vendor Share Placement. TERP is calculated by reference to Webjet's closing price of A\$12.91 on 2 November 2018.

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Settlement of Institutional Entitlement Offer	Wednesday, 14 November 2018
Allotment and normal trading of new shares under the Institutional Entitlement Offer	Thursday, 15 November 2018
Retail Entitlement Offer closes	5.00pm, Thursday 22 November 2018
Issue of shares under Vendor Share Placement	Thursday, 22 November 2018
Allotment of new shares under the Retail Entitlement Offer	Friday, 30 November 2018
Retail Trading Date	Monday, 3 December 2018

\* All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to Australian Eastern Daylight Time (AEDT). Webjet reserves the right to amend any or all of these dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, Webjet reserves the right to extend the closing date for the Retail Entitlement Offer and to accept late applications under the Retail Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the allotment date for new shares under the Retail Entitlement Offer. Any changes to the timetable will be posted on Webjet's website at [www.webjetlimited.com](http://www.webjetlimited.com)

### Webjet Director participation in Entitlement Offer

Managing Director, John Guscic, intends to take up his entitlement under the Entitlement Offer to the maximum extent possible under the already disclosed structured option and financing agreement in place with UBS AG. Mr Guscic also intends to commit to sub-underwrite A\$33 million of the Retail Entitlement Offer on the same terms as other sub-underwriters, except that he will not be paid a fee for his commitment. Arrangements are in place between Mr Guscic and UBS AG whereby Mr Guscic may, at his option, fund part of his sub-underwriting obligation by way of a limited recourse loan facility from UBS AG. It is intended that any shortfall shares under the Retail Entitlement Offer allocated to the sub-underwriters will be allocated to them on a pro rata basis.

All other Webjet directors intend to take up their entitlements in full.

### FY19 Outlook and Guidance Statement

Webjet today announced guidance for FY19 saying it is on track to deliver at least A\$110 million underlying EBITDA for the existing businesses for the year to 30 June 2019. This compares to EBITDA of A\$87.4 million for the same businesses (continuing operations) reported in FY18.

Commenting on the current trading environment, John Guscic said:

*"We continue to see growth in Webjet OTA and WebBeds business units.*

*In particular, we are seeing both TTV and booking growth in Webjet OTA and all regions of our WebBeds division – Europe, AMEA, and Asia Pacific.*

*In line with our expectations, Online Republic bookings and TTV are flat"*

In addition, based on the current AUD/USD exchange rate, Webjet expects pro-forma EBITDA for the DOTW business for the year to 30 June 2019 to be at least A\$23 million. Assuming an acquisition close of 22 November 2018 and having regard to seasonality in that business reflecting timing of the Northern Hemisphere summer holiday period and corresponding weighting of bookings to 1H19, Webjet expects DOTW to contribute incremental EBITDA of at least A\$10 million for the year to June 2019, pre-synergies.

Webjet therefore expects total FY19 EBITDA to be at least A\$120 million, comprising EBITDA from

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the existing businesses as well as the 7-month contribution from DOTW, pre-synergies.

Webjet anticipates the acquisition of DOTW will generate incremental cost and revenue synergies. These include anticipated cost synergies of US\$3 million (A\$4 million) per annum (excluding associated one-off costs) and revenue synergies primarily relating to the distribution of WebBeds' and DOTW's unique directly contract hotel inventory through the various WebBeds platforms of US\$7 million per annum (A\$10 million) (excluding associated one-off costs). Webjet expects these synergies to be realised progressively over FY19 and recognised in full in FY20.

### Additional details

Further details of the Acquisition, Entitlement Offer and Vendor Share Placement are set out in the Investor Presentation pack provided to the ASX today. The pack contains important information including key risks and foreign selling restrictions with respect to the Entitlement Offer.

Evercore acted as lead financial adviser to Webjet, while Credit Suisse and UBS acted as Webjet's joint financial advisers, joint lead managers and underwriters to the Entitlement Offer. DLA Piper acted as Webjet's legal adviser.

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### Important notices

This notice may not be released or distributed in the United States. This notice does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Entitlements and the new shares to be offered and sold in the Entitlement Offer have not been, and will not be, registered under the US Securities Act of 1933 (the "US Securities Act") or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, in the United States unless they are offered and sold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

This announcement contains certain forward looking statements and comments about future events, including Webjet's expectations about the financial and operating performance of its businesses, the acquisition of DOTW, the timetable and outcome of the Entitlement Offer and the use of proceeds thereof. Forward looking statements can generally be identified by the use of forward looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target" and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements. Forward looking statements involve inherent risks and uncertainties, both general and specific, and there is a risk that such predictions, forecasts, projections and other forward looking statements will not be achieved. A number of important factors could cause Webjet's actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements and many of these factors are beyond Webjet's control. Refer to the various risks factors in Appendix D under "Key Risks" of the investor presentation entitled "Acquisition of DOTW and Capital Raising" released to the ASX today. Forward looking statements are provided as a general guide only, and should not be relied on as an indication or guarantee of future performance and involve known and unknown risks, uncertainty and other factors, many of which are outside the control of Webjet. As such, undue reliance should not be placed on any forward looking statement. Past performance information given in this announcement is given for illustrative purposes only and is not necessarily a guide to future performance and no representation

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