

# AGM: Managing Director's Address – John Guscic

Managing Director's statement regarding Outlook and FY20 Guidance for Webjet Limited

## FY20 Outlook - WebBeds

As I have already outlined, bedbanks are an important part of the global travel market, providing a B2B marketplace for hotel rooms by connecting sellers to buyers. WebBeds provide a critical distribution channel for both our hotel supply partners and booking enabler customers.

The B2B customer landscape is continually evolving, with players leaving as demonstrated by the recent collapse of Thomas Cook and new entrants emerging, as evidenced by the growth of the Super Apps category. As the global travel market continues to grow, travel businesses requiring hotel room distribution capabilities continue to increase. As a leading global industry player, WebBeds is well positioned to fulfil the distribution needs of these businesses.

For FY20 year-to-date, excluding any Thomas Cook prior or current year contribution, WebBeds continues to grow TTV, revenue and EBITDA in all regions.

- Europe remains our largest market by TTV and continues to grow
- Asia Pacific is experiencing significant growth. In just 3.5 years since launching, it is on track to deliver the most bookings by region for FY20.
- We are seeing strong bookings growth in the Americas as a result of deeper penetration with key customers.
- The Middle East continues to be a difficult market environment but our position as the #1 player is enabling us to take share.

As WebBeds continues to grow and gain scale, we continue to see significant improvements in EBITDA margins across the business and remain on track to deliver our profitability target of 8/4/4 by FY22. This will mean 8% Revenue/TTV margin and 4% costs/TTV margin, will deliver a 4% EBITDA/TTV margin, which translates to a 50% EBITDA margin. Rezchain (our industry leading blockchain solution) continues to play a key role in helping deliver this target by driving efficiencies across the business and helping reduce costs.

After thinking through the best way to leverage our growing blockchain expertise, earlier this month we launched Rezchain as a commercial product to the broader travel industry at the World Travel Market in London and we already have a pipeline of potential customers.

## B2C market update

Turning now to our B2C businesses of Webjet OTA and Online Republic.

## FY20 Outlook - Webjet OTA

As we saw in the latter half of last financial year, the domestic travel market continues to be challenging. Domestic flight demand is down, driven by reduced capacity from the airlines as well as ongoing weak consumer travel sentiment. The international flight market is moderately up. Overall, we estimate the flight market to be growing at around 1% compared to this time last year.

Even though the market is challenging, we expect the Webjet OTA to continue to outperform. Since inception, Webjet's focus has been on building a brand and delivering superior customer service and this has served us well. We do not participate in metasearch and instead have built a formidable brand, with strong customer loyalty, by focusing our marketing spend on "out of home" and TV advertising to drive the value of our brand, rather than relying too heavily on third party, tactical acquisition channels. We continue to see stronger than market flight bookings growth.

We continue to innovate and deliver product enhancements and increased personalisation of our offering to provide the greatest convenience and choice to our customers. Recent initiatives include the addition of Apple Pay and Android Pay to our Apps, as well as new Mix'n'match and bundle'n'save offerings that allow customers to create the travel product that best suits their needs.

## FY20 Outlook - Online Republic

Turning to our Online Republic business based in New Zealand. As first outlined last financial year, we continue to focus on our strategy to increase TTV margins and reduce acquisition costs. We have hired a new leadership team led by Lindsay Cowley and are restructuring the business to help deliver a scalable global platform and drive efficiencies across the 3 divisions.

Cars and Motorhomes are both performing well and continuing to grow. Cruise continues to be impacted by reduced capacity and loss of share. We have initiated a turnaround strategy seeking to drive growth in that business and will continue to assess performance of that business.

Taking into account costs associated with the restructure that will come through in 1H20, we expect 1H20 EBITDA to be less than 1H19 but FY20 EBITDA to be in line with FY19.

## FY20 Guidance

We expect FY20 underlying EBITDA, which excludes one off revenues and costs and the impact of AASB16, to be between \$157 and \$167 million. This represents growth of approximately 26-34% over FY19, and 16-23% organic EBITDA growth after adjusting for the additional 5-month contribution from DOTW in 1H20.

For 1H20, we expect underlying EBITDA of at least \$80 million, up from \$58 million for the same period last year, representing an increase of more than 37%. We expect 1H20 EBITDA growth to be driven by

- Continued strong momentum from WebBeds with at least 25% organic EBITDA growth after adjusting for the additional contribution from DOTW, with improved EBITDA margin
- EBITDA growth for Webjet OTA of between 1 and 5%
- 1H20 Online Republic EBITDA is expected to be less than 1H19 due to restructuring costs coming through, but FY20 EBITDA is expected to be in line with FY19

We expect Corporate costs to increase between 5-10% over FY19 reflecting ongoing investment across the group function to support significantly increased global scale, stronger governance and risk management as well as overheads associated with running a c.\$4 billion TTV business

Following the acquisition of DOTW, we saw a significant increase in Receivables over 180 days. We are on track to materially reduce this number and as at 31 October 2019, Receivables over 180 days were \$25million, down from \$42.5 million as at 30 June 2019. We expect to continue to reduce this over the remainder of FY20.

Cash conversion remains a strong focus and we expect operating cash conversion, based on Statutory EBITDA, for the full year to be in line with our 95-110% target.

Webjet is a great business with strong momentum across 2 of our 3 business units. We see a long runway of future profitable growth from all divisions.

And the success that we have achieved to date, and the success that I am confident we will deliver in future, could not happen without the contribution of each of every one of our Webjet team members. I couldn't be prouder of what we have achieved together. Their ongoing commitment to the company and preparedness to be agile, innovative and creative is what helps us continue to deliver.

I'll now pass back to Roger, who will continue with the Formal Business of the meeting.

**John Guscic**

20 November 2019