

Flight Centre Limited

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Presentation by

Andrew Flannery – chief financial officer

FLT – an overview



GEOGRAPHIC DIVERSITY



2000 company-owned shops and businesses in 11 countries
FCm corporate travel management network extends to more than 60 countries

BRAND STRENGTH



More than 20 leisure, corporate and wholesale travel brands
Flight Centre recently judged Australia's 14th most valuable brand

PEOPLE



11,000 people – more than 80% are sales staff
Development focus – many senior leaders began careers as travel agents

GROWING GLOBALLY



Half of FLT's shops are now located outside of Australia
All established regions (excluding USA and Asia) are consistently profitable

LEISURE v CORPORATE



Globally, leisure travel represents 60-65% of TTV and is FLT's cash generator
Corporate travel generates about 35% but at a higher conversion rate

WHOLESALE TRAVEL



Internal and external models – Infinity and GoGo
Flight Centre Global Product (direct contracting) creates margin & cash opportunities

Unique business model



REPLICABLE MODEL



FLT is a sales and marketing company with standardised operating systems globally
Allows for rapid organic growth

SMALL TEAMS



Teams consist of 5-8 people, including a team leader and a future team leader
At shop level, team leaders are responsible for P&Ls and report to area leaders

INCENTIVES



Staff are encouraged to surpass their individual cost-of-seat
Sales staff are rewarded on sales volume and margin. In addition, team leaders are rewarded on their businesses' profit

MINIMAL LAYERS



FLT has minimal support structures and management layers
Generally, 5-6 layers between any employee and the global executive team

2010 – the story so far ...



PROFIT



Strong growth – actual 1H pre-tax profit up 115% (up 19% on normalised 08/09 result)
2008/09 included record 1Q – opportunity for strong 2H growth compared to weak PCP

SALES



Good volumes – up 20% on PCP in some markets during 1H
Airfares still cheaper than normal but yields now moving into line with PCP

INCOME MARGIN



Increased to 13.9% during 1H – up 1 basis point over past 4 years
Direct contracting model, commissions and fixed margin air contracts contributing

SHAREHOLDER RETURNS



26 cents per share interim dividend – 51% return of NPAT to shareholders
EPS up 96% during 1H

MARKET CONDITIONS



Conditions stabilising but rate of actual recovery varies
Strong Australian results, UK business performing well
Iceland volcano not currently expected to materially affect results

2010 – financial overview



COSTS



Cost discipline maintained

Wages, rent and advertising major expense items – variable wage and ad costs

CAPITAL EXPENDITURE



Reduced cap-ex after major investment in projects and shop refurb in recent years

Aiming to keep cap-ex in line with D&A moving forward

INTEREST INCOME



Strong YTD profit growth achieved despite significant drop in interest income

Decrease reflects lower cash yields, shift to lower risk investments

CASH FLOW



Small 1H outflow, as expected, during peak travel season

Inflow expected during seasonally stronger 2H – peak booking season

BALANCE SHEET



Strong position, with positive net debt

General cash increasing and debt levels maintained

INVESTMENT PORTFOLIO



\$726m investment portfolio at December 31, up 10% and likely to build during 2H

Heavy cash weighting at 1H (97%) – no remaining equity exposure

Five-year result summary



	December 2009	December 2008	December 2007	December 2006 [★] (ex abnormal)	December 2005
TTV	\$5,201 m	\$5,788 m	\$4,800 m	\$4,100 m	\$3,700 m
Income margin	13.9%	13.3%	13.4%	12.6%	12.9%
EBITDA	\$100.5 m	\$53.2 m	\$105.2 m	\$63.0 m	\$63.0 m
PBT	\$73.6 m	\$34.2 m	\$90.9 m	\$53.0 m	\$49.8 m
NPAT	\$51.1 m	\$26.1 m	\$61.2 m	\$35.4 m	\$33.6 m
EPS	51.3 c	26.2 c	64.0 c	37.5 c	35.6 c
DPS	26.0 c	9.0 c	37.5 c	20.0 c	20.0 c
ROE	8.0%	4.2%	10.2%	8.1%	8.7%
Cap-ex	\$8.6 m	\$42.2 m	\$39.3 m	\$14.6 m	\$19.0 m
Building acquisitions	-	\$12.4 m	\$10.6 m	-	-
Selling staff	8,911	10,324	8,333	7,649	5,824
General cash	\$230.0 m	\$124.9 m	\$190.2 m	\$139.6 m	\$64.7
Client cash	\$398.6 m	\$332.4 m	\$303.1 m	\$165.9 m	\$174.0
Cash and cash equivalents	\$628.6 m	\$457.3 m	\$493.3 m	\$305.5 m	\$238.7 m
Available-for-sale investments & other financial assets	\$97.8 m	\$202.4 m	\$138.6 m	\$176.8 m	\$145.4 m
Cash and investments	\$726.4 m	\$659.7 m	\$631.9 m	\$482.3 m	\$384.1 m

[★] Abnormal relates to FLT's gain on the sale of its Brisbane head office property.

Outlook



SOLID FOUNDATIONS



Significant momentum – good 1H and conditions stabilising globally
Strong sales force, brand diversification, leaner cost base and healthy balance sheet

GROWTH OPPORTUNITIES



Up to 100 new business to open during course of year across all brands
Flight Centre brand still growing
Opportunities in corporate travel, niche leisure areas – Cruiseabout, Round The World

FLIGHT CENTRE



Focus on growing air sales in flagship global leisure brand
Real value proposition – lowest airfares guarantee, no domestic airfare booking fees

AIRFARE PRICES



Yields gradually improving after unsustainable supplier discounting during 2H 2008-09
Modest growth in airfare prices expected as market recovery continues

SUPPLIER RELATIONSHIPS



Shift to greater certainty in air margins working well
Margin typically includes a combination of upfront commission and backend over-rides (payable on every sale and accrued throughout the year)

IMPROVEMENT STRATEGIES



New business improvement strategies in place
Key areas of focus, in addition to normal “business as usual” strategies

Strategic priorities



**INDIA, CANADA
& THE USA**



Improve the return on FLT's investment in these emerging countries

ONE BEST WAY



Ensure the company's "One Best Way" operating culture is in place in all brands and businesses

LEADERSHIP



Attract and retain more of the right leaders

SALES



Procure and retain customers across the business

PRODUCT



Further development of global land and air product buying and distribution systems

**NICHE
EXPANSION**



Selection and incubation of emerging bricks and mortar and online businesses

The net – FLT's online models



ENQUIRY GENERATION



The most seen “shop window” – using the web as an extension of the bricks and mortar network

Good information and travel deals to generate enquiry

Examples include flightcentre.com.au

DIRECT MODEL



Internet-only brands (the only shop window) generating specialist enquiry online

Enquiry serviced online or by phone by in-store consultant

Examples include Round The World Experts (UK)

ONLINE MODEL



Full transactional model with separate branding

Transactions and enquiry serviced online

Examples include quickbeds.com.au

Profit outlook



PROFIT TARGET



Targeting \$160m-\$180m pre-tax profit, assuming no major abnormal items arise
Promising signs but too early to amend guidance with full quarter to go

TRAVEL BUSINESS



Travel businesses continuing to perform well after good 1H profit growth
Continued strong leisure travel results, corporate travel market starting to recover

OTHER BUSINESSES



Recruitment marketing JV continuing to make healthy profit contribution
Cycle JV (99 Bikes and Advance Traders) developing well and appears a viable long-term model – modest short-term expansion planned

The USA – continued improvement



MARKET CONDITIONS



Some stabilisation after 2008/09 but yet to see significant recovery
Consumer confidence slowly beginning to rebound

BUSINESS DEVELOPMENT



Key retail and wholesale systems now in place, including shop-based incentives and FLT's standard "client" mid office system
Growth plan reinitiated after two years –modest expansion planned in short-term

RESULT OUTLOOK



Continuing to target breakeven result from overall US business, but losses up to \$6m-\$7m still possible in challenging market
Compares to losses of more than \$60million during 2008/09
Fourth quarter is key booking period and crucial to final outcome

End of presentation



Questions