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# Flight Centre Travel (FLT)

## Build back better

| Recommendation | |
|---|---|
| Buy (unchanged) | |
| Price | $17.05 |
| Target (12 months) | $20.50 (previously $20.00) |

**GICS Sector**

**Hotels Restaurants and Leisure**

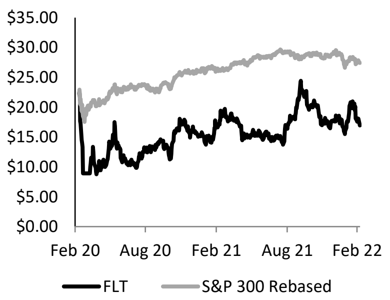
| Expected Return | |
|---|---|
| Capital growth | 20.2% |
| Dividend yield | 0.0% |
| Total expected return | 20.2% |

| Company Data & Ratios | |
|---|---|
| Enterprise value | $3,570.3m |
| Market cap | $3,405.2m |
| Issued capital | 199.7m |
| Free float | 75% |
| Avg. daily val. (52wk) | $42.0m |
| 12 month price range | $13.67-$25.28 |

**Price Performance**

| | (1m) | (3m) | (12m) |
|---|---|---|---|
| Price (A$) | 17.34 | 17.75 | 16.65 |
| Absolute (%) | -2.25 | -4.51 | 1.80 |
| Rel market (%) | -2.61 | -1.27 | -2.48 |

**Absolute Price**




SOURCE: IRESS

## Transfer of coverage. Positive view maintained.

We have had a change in analyst for Flight Centre Travel Group (FLT) which was last published in Aug'21, resulting in a change to our forecasts and valuation. However, we retain our positive view on FLT's outlook and competitive position as global travel recovers in CY22e, supported by strong organic growth in the Corporate business and a restructured Leisure business that is highly leverage to the return of International outbound Australian travel. While there is still some uncertainty to recovery pathway, we believe sustained reopening's on milder COVID variants and increased global vaccinations is the base case, with consensus estimates on forward TTV and PBT/TTV margins not onerous in our view. Key highlights of our thesis are:

**Market overlooking structural growth in Corporate:** Consensus and BPe are assuming limited future structural Corporate TTV growth, despite A$4.5bn (annualised pre-COVID expenditure) in new business wins since the pandemic began and TTV growth of ~16% 9-year CAGR to FY19. Customer expenditure only needs to return to ~60-75% of pre-COVID levels, to achieve FY19 TTV, which is expected in FY23e.

**Leisure would likely surpass FY19 PBT on lower TTV levels:** FLT expects a full TTV recovery in Leisure by FY24e. However, it's likely that Leisure would not need to return to pre-COVID TTV levels to surpass the FY19 PBT given significant reductions to the legacy cost base and soft FY19 Leisure profitability (PBT margins were 0.9%).

**Liquidity suggests FLT well capitalised:** Pro forma Dec'21 liquidity implies ~42 months cash runway at the current cash burn. With Corporate approaching breakeven (targeting a return to profitability in 3Q22e) and Leisure expected to be breakeven by the end of FY22e, we expect outflows to dissipate, while a working capital recovery and ~$1.2bn grossed up of tax losses should support balance sheet repair.

**Earnings changes and recommendation:** We update our forecasts for Underlying EPS for the 1H22 result (which was heavily impacted by Omicron) and adjustments to forward TTV assumptions resulting in changes of -395%, +27% and +24% in FY22e, FY23e and FY24e respectively. We maintain our Buy recommendation on FLT, with a revised Price Target of $20.50ps (Prev. $20.00ps).

**Earnings Forecast**

| June Year end | 2021 | 2022e | 2023e | 2024e |
|---|---|---|---|---|
| Sales ($m) | 395.9 | 964.2 | 2,169.0 | 2,678.6 |
| Underlying EBITDA ($m) | -355.2 | -208.1 | 368.5 | 530.3 |
| NPAT (reported) ($m) | -463.1 | -257.9 | 160.6 | 271.9 |
| NPAT (Adjusted) ($m) | -338.9 | -252.0 | 160.6 | 271.9 |
| EPS (Adjusted) (¢ps) | -170.1 | -126.3 | 80.4 | 136.1 |
| EPS growth (%) | -38.0% | -25.8% | -163.7% | 69.2% |
| PER (x) | -10.0 | -13.5 | 21.2 | 12.5 |
| EV/EBITDA (x) | -10.1 | -17.2 | 9.7 | 6.7 |
| Dividend (¢ps) | 0.0 | 0.0 | 32.9 | 68.1 |
| Yield (%) | 0.0% | 0.0% | 1.9% | 4.0% |
| Franking (%) | 100% | 100% | 100% | 100% |
| FCF Yield (%) | -30.6% | -11.0% | 13.5% | 11.3% |
| ROE (%) | -35.4% | -32.0% | 17.0% | 24.6% |

SOURCE: BELL POTTER SECURITIES ESTIMATES

# Investment thesis

## Structural growth in Corporate not slowing down

FLT's corporate business continues to win market share in key markets, while maintaining 'excellent' customer retention, and should emerge from COVID with a structurally larger business despite near-term headwinds. We believe the market continues to underestimate the strong organic structural growth exhibited by the corporate business, given the current COVID headwinds, which are rapidly dissipating.

**A$4.5bn of new business wins since the start of COVD:** The Corporate business has won A$4.5bn (annualised pre-COVID expenditure) in new business since the start of the pandemic. Customer wins have predominantly been within the FCM space (12 of its largest 20 clients won during COVID), as well as a range of SME customers in Corporate Traveller. Customer retention has also been 'excellent' over the period.

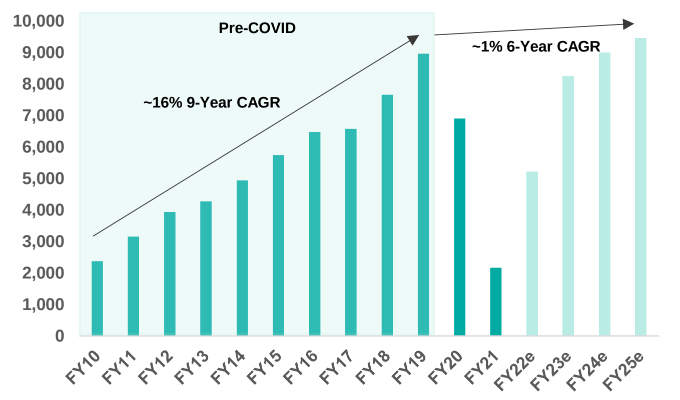
**New business offsets medium-term headwinds to corporate market:** The new business equates to ~50% of FY19 Corporate TTV, underpinning FLT's expectation to return to FY19 TTV levels in FY23e, with customers only spending 60-75% of pre-COVID expenditure. The new business won to date, more than offsets expected structural headwinds to post-COVID travel expenditure by corporates.

**FLT estimates spending to return to 70-80% in medium-term:** FLT do not expect customer expenditure in Corporate will return to 100% of pre-COVID levels in the medium-term, estimating a more conservative 70-80%. We view this as conservative given trends already occurring within the North American market despite Omicron headwinds[1].

**Corporate revenue margins stable in 1H22:** 1H22 Corporate margins remain in line with pre-COVID levels at 10.6% (FY19 ~10.5%), when adjusted for the lower margin Australian hotel quarantine revenue.

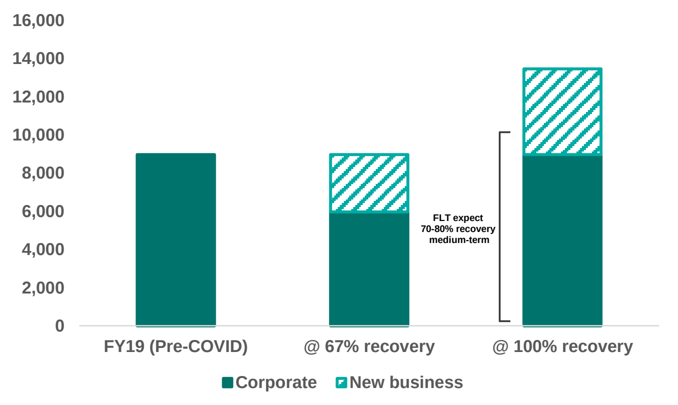
**Market estimates assume limited additional new business:** The market and BPe are assuming limited future structural TTV growth in the Corporate business over the next 42 months. We view this as a conservative TTV recovery scenario given: (1) customer expenditure only needs to return to 60-75% of pre-COVID levels to achieve pre-COVID TTV assuming no more new business wins; (2) FLT has grown corporate TTV at ~16 CAGR since FY11; (3) the Corporate business has won another A$4.5bn (annualised pre-COVID expenditure) in new business in the last two years; and, (4) FLT states RFP activity continues to be strong.

**Figure 1 – FLT Corporate TTV (A$m)**




SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**Figure 2 - Recovery scenarios as expenditure recovers (A$m)**




SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

[1] Delta Airlines exited CY21 with Business travel at ~60% in Domestic and ~25% in International, despite Omicron, and expected the recovery to accelerate as offices reopen and international restrictions ease.

## Leisure the key variable, although FY19 bar is low

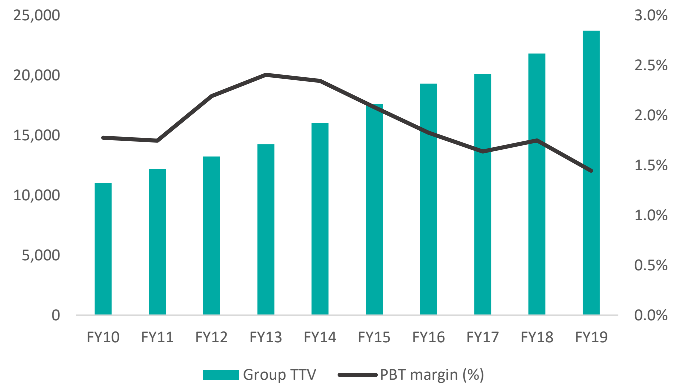
We believe the current market valuation of FLT reflects uncertainty towards the performance of FLT's Leisure business post-COVID, although we see a number of factors that will likely see the Leisure business emerge as a more profitable business than pre-COVID.

**Highly leveraged to returning Australian International Travel:** The 1H21 Leisure revenue margin increased +35bps HoH to 11.8% and is expected to continue expand as International travel increases as a proportion of the sales mix. The Australian market (~68% of pre-COVID Leisure TTV), which derived ~82% of pre-COVID TTV via International bookings is the major driver of this dynamic. Reduced International restrictions to key Australian destinations (e.g. New Zealand, Bali, USA, UK, Thailand) and increasing capacity from airlines (QAN to increase international capacity to 44% by 4Q22e) suggest a strong recovery to Australian Outbound travel in CY22e, supporting FLTs expectation for Leisure to return to profitability late in FY22. Restrictions in some key outbound destinations (e.g. China) are expected to lag, although should likely ease at some stage in CY22e (FLT expect reopening in 2-3 months).

**Reduced airline commission a key topic of discussion:** FLT is in discussions with ANZ airlines to offset the impact of commission losses arising from recent reductions in front-end commissions on International airfares (QAN, as well as other key airlines, will reduce front-end commissions from 5% to 1% in Jul'22). FLT note that Average International air commissions in Australia have fallen ~3% between FY10 and FY20 (Front-end commissions dropped from 9% to 5% in the GFC), while the Australian Leisure revenue margin has increased from 12.6% to ~14.0%. Front-end commissions have generally been offset a variety of ways (e.g. mix shifts/ancillary products, alternative rebate structures like backend overrides and other new initiatives) and FLT do not expect the reductions to have a material long-term impact (QAN commissions are estimated to account for ~$20m in pre-pandemic revenue).

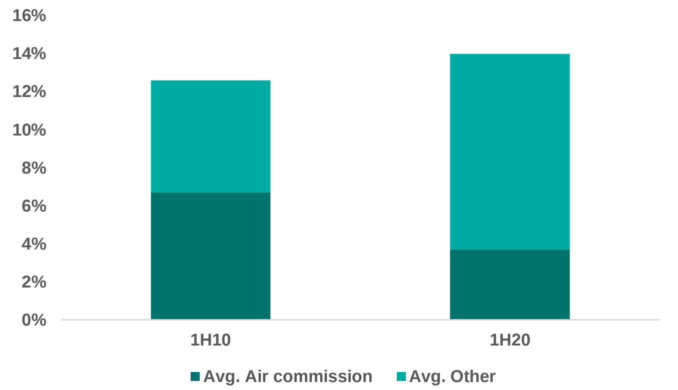
**COVID accelerated existing FY19 Leisure Strategy:** The Leisure business had been facing operational headwinds pre-COVID, reflected by the FY19 PBT/TTV margin for Leisure of 0.9% versus the Corporate margin of 3.0%. Historic results commentary suggests Leisure was the major driver of falling Group PBT/TTV margins (FY15 2.1% vs FY19 1.4%), culminating in the FY19 Leisure strategy, which consisted of six pillars, including Digitisation (omni-channel delivery), Network (optimisation/legacy cost base reduction), and model shift (accelerated growth of emerging businesses like independent agent models). COVID-19 likely provided the impetus to accelerate the existing Leisure Strategy, optimising the legacy store network (~50-55% reduction) and reducing the legacy cost base globally (1H22 annualised costs ~32.8% for FY19 levels).

**Figure 3 - Historical Group TTV (A$m) vs. PTB/TTV margin (%)**




SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**Figure 4 - Australian Leisure margin (%)**

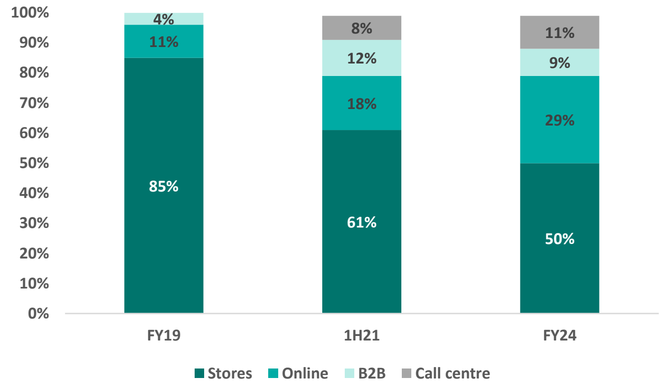



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**Return to 2% PBT margin at Group level still a goal:** During FY19, FLT was targeting a return to 2% PBT/TTV margin and confirmed that this is still a target (incremental PBT will be towards the target), while cautioning the moving parts. Revisiting the FY19 result, the Leisure business would have needed to generate a PBT/TTV margin of 1.88% for the Group to return to a 2% margin.

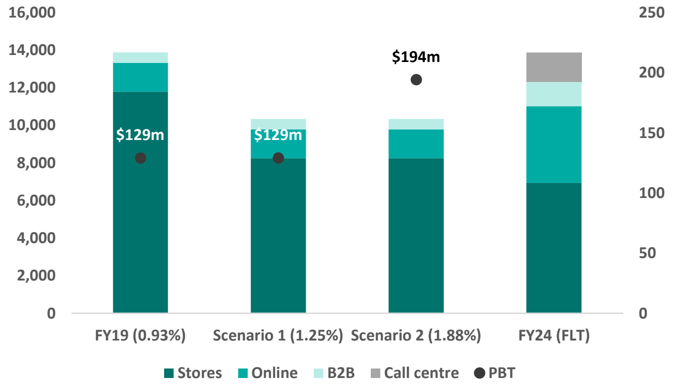
**Reduced store network doesn't need to achieve the same TTV:** Management have reiterated that ~50-55% of stores that were closed did not represent the same proportion of TTV, due to differences in productivity, size and proximity to other stores (remaining stores represented more like ~70% of TTV). Assuming the remaining network generated ~70% of its pre-COVID totals and online/B2B return to pre-COVID levels (e.g. no growth), the Leisure business would only need to generate PBT/TTV margins of 1.25% to return to pre-COVID PBT levels, which we don't view as onerous. We note FLT expects a full TTV recovery in Leisure by FY24e, implying upside to FY19 PBT on margin expansion.

**Figure 5 - Rebalanced Leisure omni-channel strategy**




SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**Figure 6 - Scenario Analysis: PBT at varying store TTV (A$m)**




SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**Early positive signs the Leisure strategy is effective:** The Liberty business, has already returned to profitability at higher productivity levels than pre-COVID (as at Jul'21 Liberty was capturing 45% of pre-COVID TTV with ~16% of sales force), providing an early positive sign for other regions. Stores in New South Wales achieved their highest productivity since the pandemic in Nov'22, suggesting new technology designed to enhance instore productivity is having an impact.

**Consumer cohort that uses travel agents expected to return:** Early market share data suggests FLT has made incremental market share gains in the key markets of Australia and South Africa (no meaningful data from New Zealand given lack of activity). We maintain that the cohort of consumers that utilise travel agents for travel will return, while pent up demand, added/perceived added complexity and reduced competition could lead to higher levels of demand. FLT also reiterates that the network has not lost reach, with ~95% of Australian customers within 5km of a store.

## Growing PBT into FY25e not onerous

Our current forecasts to FY25e are predicated on a scenario whereby: (1) Leisure returns to pre-COVID levels with a slight increase in PBT/TTV margins due to structural cost out; and (2) Corporate TTV increases 5.5% on FY19, at flat PBT/TTV margins.

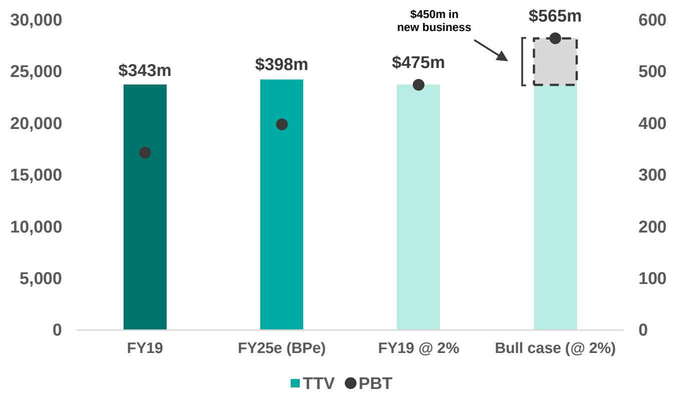
We believe there could be upside to these scenarios if: (1) FLT can expand PBT/TTV margins towards its pre-COVID target of 2.0%; (2) the Corporate business continues to win market share; (3) Corporate customer expenditure returns towards ~90% of pre-COVID levels; and (4) a full recovery of Leisure and Corporate travel markets occurs faster than 27 months, which we don't view as onerous.

**Figure 7 – FY19 result vs. FY25 BPe**

| | FY19 | | | |
|---|---|---|---|---|
| | **Leisure** | **Corporate** | **Other** | **Group** |
| **TTV** | 13,877.8 | 8,970.1 | 879.9 | 23,727.8 |
| **Revenue** | 2,017.5 | 938.1 | 99.7 | 3,055.3 |
| *Revenue / TTV (%)* | *14.5%* | *9.4%* | *9.0%* | *11.6%* |
| **PBT** | **129.2** | **267.5** | **-53.6** | **343.1** |
| *PBT / TTV (%)* | *0.9%* | *3.0%* | *-53.8%* | *1.4%* |
| | **FY25e (Bpe)** | | | |
| | **Leisure** | **Corporate** | **Other** | **Group** |
| **TTV** | 13,889.8 | 9,466.2 | 872.2 | 24,228.2 |
| **Revenue** | 1,821.3 | 956.1 | 82.5 | 2,859.9 |
| *Revenue / TTV (%)* | *13.1%* | *10.1%* | *9.5%* | *11.8%* |
| **PBT** | **162.2** | **284.5** | **-48.7** | **397.9** |
| *PBT / TTV (%)* | *1.2%* | *3.0%* | *-59.1%* | *1.6%* |

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**Figure 8 - BPe versus bull case scenarios**




SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

## Liquidity likely to improve from 4Q22e

**Cash outflows likely to end in 4Q22e:** FLT recorded a record post-COVID month for TTV of $859m in Nov'21, which coincided with a record low cash outflow of $20m, despite $8m additional operational costs. Cash outflows were impacted by Omicron in Dec-Jan'22, with lower sales against a higher cost base Sales had recovered in Feb'22, which was tracking towards similar TTV levels to Nov'21 in the first two weeks of the month, implying a similar cash outflow to Nov'21 of ~$20m.

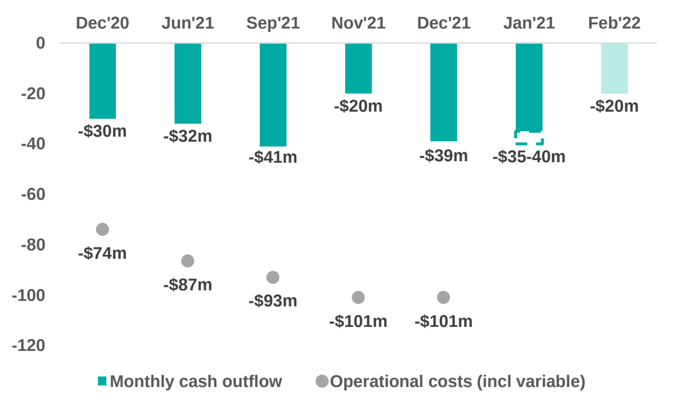
With Corporate already approaching breakeven (targeting a return to profitability in 3Q22e) and Leisure expected to be breakeven by the end of FY22e, we expect outflows to dissipate over the coming months (Apr'21 is historically a seasonally softer month due to Easter and could potentially be the final Group outflow).

**Liquidity suggests FLT well capitalised:** As at Dec'21, FLT had total liquidity of $1,059m, although is expecting to repay the A$214m Bank of England facility in Mar'22, which would reduce Pro Forma liquidity to ~$843m. Pro Forma liquidity implies ~42 months cash runway at the estimated Feb'22 cash burn of $20m. The liquidity covenant ($1 cash:$1debt) relating to the $350m syndicated debt facility, although includes client cash (Dec'21 $414m) that is not included in FLT's liquidity calculations. No other financial covenants apply until Dec'22, at which point covenants revert back to 6 month testing.

**Working capital and tax losses to support liquidity position:** Recovering TTV sales, particularly in the Leisure business, should see a reversal in the working capital unwind that has occurred since FY19, providing an additional ~$300-400m liquidity on a full recovery (the liquidity covenant does not require FLT to deduct client cash). FLT commented that new bookings had only recently overtaken rebooking's in Feb'22, implying working capital is beginning to recover.

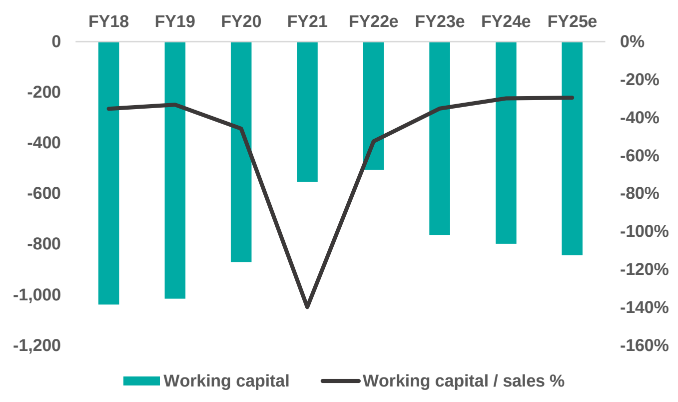
FLT has also accumulated ~$310.5m of tax losses (~$1.2bn grossed up), which we expect to be utilised from FY23e, supporting cash flows over the medium-term (some overseas jurisdictions may pay cash tax, given the majority of tax losses are likely Australian) and the prospect of rapid balance sheet repair provided more dangerous variants of COVID do not emerge.

**Figure 9 - Monthly cash outflows vs. Operational costs* (A$m)**




SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES, *INCL VARIABLE COSTS

**Figure 10 - Working capital (A$m)**




SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

# 1H22 result

**Figure 11 - FLT 1H22 result summary**

| Year End 30 June | 1H19 | 2H19 | 2019 | 1H20 | 2H20 | 2020 | 1H21 | 2H21 | 2021 | 1H22 | YoY (%) | HoH (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Leisure | | | 13,877.8 | 6,619.1 | 803.1 | 7,422.2 | 501.5 | 889.7 | 1,391.2 | 950.5 | 89.5% | 6.8% |
| Corporate | | | 8,970.1 | 5,148.8 | 1,762.3 | 6,911.1 | 822.5 | 1,346.6 | 2,169.1 | 2,039.7 | 148.0% | 51.5% |
| Other | | | 879.9 | 630.9 | 338.8 | 969.8 | 208.8 | 176.1 | 384.9 | 272.6 | 30.6% | 54.7% |
| **Group TTV** | **11,155.2** | **12,572.6** | **23,727.8** | **12,398.7** | **2,904.3** | **15,303.1** | **1,532.8** | **2,412.4** | **3,945.2** | **3,262.8** | **112.9%** | **35.3%** |
| *Revenue margin (%)* | *13.1%* | *12.7%* | *12.9%* | *12.5%* | *12.1%* | *12.4%* | *10.4%* | *9.8%* | *10.0%* | *9.7%* | *-75bps* | *-11bps* |
| Leisure | | | 2,017.5 | 986.9 | 138.6 | 1,125.5 | 54.4 | 102.0 | 156.4 | 112.3 | 106.6% | 10.1% |
| Corporate | | | 938.1 | 519.4 | 207.2 | 726.6 | 88.8 | 127.8 | 216.5 | 192.4 | 116.8% | 50.6% |
| Other | | | 99.7 | 40.2 | 5.0 | 45.2 | 16.7 | 6.3 | 23.0 | 21.8 | 30.8% | 245.8% |
| **Revenue** | **1,461.5** | **1,593.8** | **3,055.3** | **1,546.5** | **351.6** | **1,898.1** | **159.8** | **236.1** | **395.9** | **315.7** | **97.6%** | **33.7%** |
| *Growth (%)* | *13.1%* | *12.7%* | *12.9%* | *5.8%* | *-77.9%* | *-37.9%* | *-89.7%* | *-32.8%* | *-79.1%* | *97.6%* | | |
| Other income | 7.9 | 2.9 | 10.8 | 6.9 | 175.5 | 182.3 | 181.4 | 59.9 | 241.3 | 28.9 | -84.1% | -51.7% |
| Operating costs | (1,296.4) | (1,343.9) | (2,640.3) | (1,323.0) | (1,008.1) | (2,331.2) | (503.6) | (488.9) | (992.5) | (538.2) | 6.9% | 10.1% |
| **Underlying EBITDA** | **173.1** | **252.7** | **425.8** | **230.3** | **-481.1** | **-250.7** | **-162.4** | **-192.8** | **-355.2** | **-193.6** | **19.2%** | **0.4%** |
| *EBITDA margin (%)* | *11.8%* | *15.9%* | *13.9%* | *14.9%* | *-136.8%* | *-13.2%* | *-101.6%* | *-81.7%* | *-89.7%* | *-61.3%* | *n.m.* | *n.m.* |
| Total D&A | 41.0 | 41.4 | 82.4 | 113.4 | 123.6 | 237.0 | 82.8 | 55.1 | 138.0 | 62.8 | -24.1% | 13.9% |
| **Total EBIT** | **132.1** | **211.4** | **343.4** | **116.9** | **-604.6** | **-487.8** | **-245.2** | **-248.0** | **-493.2** | **-256.4** | **4.6%** | **3.4%** |
| *EBIT Margins (%)* | *9.0%* | *13.3%* | *11.2%* | *7.6%* | *-172.0%* | *-25.7%* | *-153.5%* | *-105.0%* | *-124.6%* | *-81.2%* | *n.m.* | *n.m.* |
| Net Interest | 1.1 | (2.5) | (1.5) | (12.7) | (10.9) | (23.7) | (10.7) | (20.7) | (31.4) | (23.2) | 117.6% | 12.2% |
| JV associates | 1.7 | -0.6 | 1.1 | -3.6 | -1.5 | -5.0 | 8.7 | 8.7 | 17.5 | 9.5 | 8.7% | 8.7% |
| **Profit Before Tax** | **134.9** | **208.3** | **343.1** | **100.6** | **-617.0** | **-516.5** | **-247.2** | **-260.0** | **-507.1** | **-270.2** | **9.3%** | **3.9%** |
| Tax Expense | (42.4) | (36.9) | (79.3) | (16.7) | 203.9 | 187.2 | 83.7 | 84.5 | 168.3 | 81.9 | -2.2% | -3.1% |
| **Underlying NPAT** | **92.5** | **171.4** | **263.8** | **83.8** | **-413.1** | **-329.3** | **-163.4** | **-175.5** | **-338.9** | **-188.3** | **15.2%** | **7.3%** |
| *Growth (%)* | 6.3% | 10.8% | 8.6% | 5.4% | -117.5% | -17.3% | -102.3% | -74.3% | -85.6% | -59.6% | | |
| Underlying EPS (¢ps) | 84.10 | 140.10 | 224.20 | 18.70 | -570.80 | -552.10 | -117.20 | -100.30 | -217.50 | -97.35 | -16.9% | 85.6% |
| Dividend (¢ps)* | 209.00 | 98.00 | 307.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | n.a. | n.a. |

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

## Key observations

**Group TTV** increased +112.9% YoY (+35.3% HoH) to $3,262.8m and is now 29.2% of 1H19 levels (pre-COVID). TTV growth was driven by a strong recovery in Corporate (+148.0% YoY | +51.5% HoH), followed by Leisure (+89.5% YoY | +6.8% HoH).

**Group TTV** was ~29% of 1H19 (pre-COVID). The Corporate business was at ~57% of pre-COVID levels in both Nov'21 and Dec'21 aided by lower margin Australian quarantine work. Leisure was at ~30% in Nov'21 (pre-Omicron) with the first 2-weeks of Feb'22 tracking towards Nov'21 levels.

**Operating revenue** increased 97.6% YoY (+33.7% HoH) to $315.7m, representing 21.6% of 1H19 levels (pre-COVID). The lower revenue margin of 9.7% is driven by (1) the higher proportion of Corporate revenue in the mix (lower revenue margin, but higher PBT margin in FY19); (2) higher proportion of lower margin hotel quarantine revenue in the Corporate revenue mix; and, (3) lower proportion of higher margin international airfares in the Leisure mix (e.g. Australian outbound tourism).

**Other income** included $18.9m of Government Subsidies, down from $177.9m in 1H21. Government subsidies retained by FLT were $14.5m, down -$64.7m compared to 1H21 (1H21 $79.2m).

**Underlying Operating costs** increased +6.9% YoY (+10.1% HoH) to $538.2m, although included ~$12m of non-recurring investments in employee retention. The recurring adjusted operating costs are ~$527m, which is up from $408m in 1H21, implying Incremental EBITDA margins of 31% over the last 12 months, despite returning to normal wage levels and returning staff.

**Underlying EBITDA (excl. JVs & Associates)** was down -19.2% YoY to -$193.6m, although FLT received $64.7m less in Government Subsidies. Adjusting for the subsidies, Underlying EBITDA would have improved 20.6% YoY ($33.5m).

**Underlying PBT** fell -9.3% YoY to -270.2m, with higher interest costs offset by lower D&A.

# Operating result by segment

**Figure 12 - Operating result by segment (A$m)**

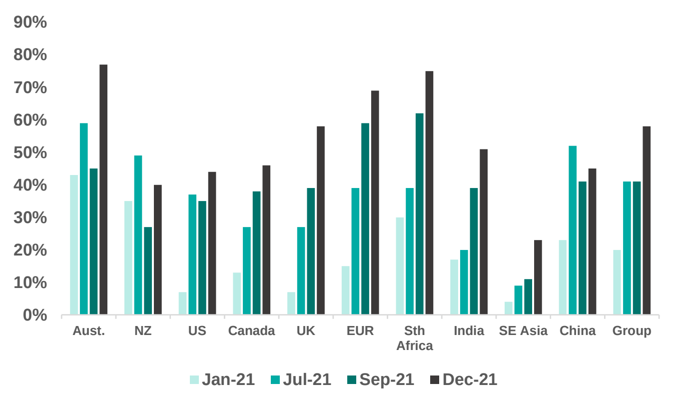
| Year End 30 June | 2019 | 1H20 | 2H20 | 2020 | 1H21 | 2H21 | 2021 | 1H22 | YoY (%) | HoH (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Leisure** | | | | | | | | | | |
| **TTV** | **13,877.8** | **6,619.1** | **803.1** | **7,422.2** | **501.5** | **889.7** | **1,391.2** | **950.5** | **89.5%** | **6.8%** |
| *Revenue margin (%)* | *14.5%* | *14.9%* | *17.3%* | *15.2%* | *10.8%* | *11.5%* | *11.2%* | *11.8%* | *+98bps* | *+35bps* |
| **Revenue** | **2,017.5** | **986.9** | **138.6** | **1,125.5** | **54.4** | **102.0** | **156.4** | **112.3** | **106.6%** | **10.1%** |
| *Growth (%)* | | | | *-44.2%* | *-94.5%* | *-26.4%* | *-86.1%* | *106.6%* | | |
| **Underlying PBT** | **129.2** | **-11.4** | **-517.1** | **-528.5** | **-172.4** | **-194.1** | **-366.5** | **-197.0** | **14.2%** | **1.5%** |
| *PBT margin (%)* | *6.4%* | *-1.2%* | *-373.1%* | *-47.0%* | *-317.2%* | *-190.2%* | *-234.3%* | *-175.4%* | | |
| *TTV margin (%)* | *0.9%* | *-0.2%* | *-64.4%* | *-7.1%* | *-34.4%* | *-21.8%* | *-26.3%* | *-20.7%* | | |
| **Corporate** | | | | | | | | | | |
| **TTV** | **8,970.1** | **5,148.8** | **1,762.3** | **6,911.1** | **822.5** | **1,346.6** | **2,169.1** | **2,039.7** | **148.0%** | **51.5%** |
| *Revenue margin (%)* | *10.5%* | *10.1%* | *11.8%* | *10.5%* | *10.8%* | *9.5%* | *10.0%* | *9.4%* | *-136bps* | *-6bps* |
| **Revenue** | **938.1** | **519.4** | **207.2** | **726.6** | **88.8** | **127.8** | **216.5** | **192.4** | **116.8%** | **50.6%** |
| *Growth (%)* | | | | *-22.5%* | *-82.9%* | *-38.3%* | *-70.2%* | *116.8%* | | |
| **Underlying PBT** | **267.5** | **133.9** | **-61.6** | **72.3** | **-66.8** | **-55.2** | **-122.0** | **-47.7** | **-28.6%** | **-13.7%** |
| *PBT margin (%)* | *28.5%* | *25.8%* | *-29.7%* | *10.0%* | *-75.2%* | *-43.2%* | *-56.3%* | *-24.8%* | | |
| *TTV margin (%)* | *3.0%* | *2.6%* | *-3.5%* | *1.0%* | *-8.1%* | *-4.1%* | *-5.6%* | *-2.3%* | | |
| **Other** | | | | | | | | | | |
| **TTV** | **879.9** | **630.9** | **338.8** | **969.8** | **208.8** | **176.1** | **384.9** | **272.6** | **30.6%** | **54.7%** |
| *Revenue margin (%)* | *11.3%* | *6.4%* | *1.5%* | *4.7%* | *8.0%* | *3.6%* | *6.0%* | *8.0%* | *+2bps* | *+442bps* |
| **Revenue** | **99.7** | **40.2** | **5.0** | **45.2** | **16.7** | **6.3** | **23.0** | **21.8** | **30.8%** | **245.8%** |
| Growth (%) | | | | -54.7% | -58.5% | 26.8% | -49.1% | 30.8% | | |
| **Underlying PBT** | **-53.6** | **-19.8** | **-33.2** | **-53.1** | **-8.0** | **-10.7** | **-18.7** | **-25.5** | **219.8%** | **138.6%** |
| *PBT margin (%)* | *-53.8%* | *-49.4%* | *-668.4%* | *-117.6%* | *-47.9%* | *-169.7%* | *-81.4%* | *-117.1%* | | |
| *TTV margin (%)* | *-6.1%* | *-3.1%* | *-9.8%* | *-5.5%* | *-3.8%* | *-6.1%* | *-4.9%* | *-9.4%* | | |

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

## Key observations

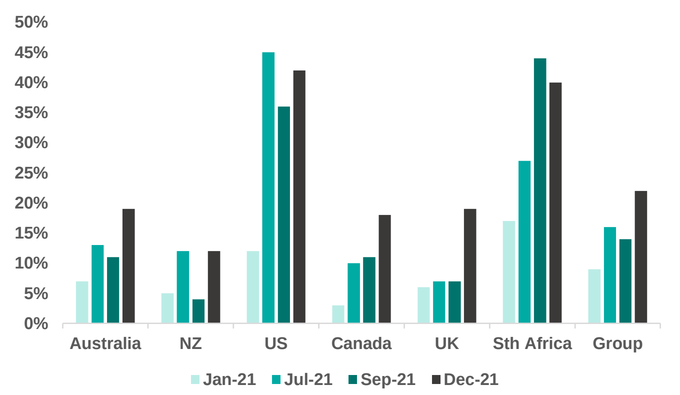
- The Leisure revenue margin increased +35bps HoH to 11.8% and is expected to continue expand as International travel increases as a proportion of the sales mix, particularly in the Australian market (~68% of pre-COVID Leisure TTV). Leisure is expecting to return to profitability late in FY22 at ~45% of pre-COVID TTV.
- The Corporate margin fell -6bps HoH to 9.4%, although increases to 10.6% when adjusted for low margin hotel quarantine revenue, which is slightly above FY19 levels.
- Corporate sales peaked at 57% of pre-COVID levels in Nov'21, although this equates to the sales were <50% of pre-COVID levels after adjusting for the lower margin hotel quarantine revenue and therefore Corporate was only just breakeven. Corporate is targeting a return to profitability over the next two months, at ~55% pre-COVID TTV.
- Regionally, EMEA and America are expected to return to return to profitability in Jan'22 and Apr'22 respectively. ANZ has a higher proportion of leisure, which is accelerating (Australian leisure tracking +60% MoM in Feb'1, and NZ projected to double). Asia is expected to lag given heavy restrictions in key markets (China, Hong Kong, Singapore).

**Figure 13 - Corporate TTV by region as % of FY19**




SOURCE: COMPANY DATA

**Figure 14 - Leisure TTV by region as % of FY19**




SOURCE: COMPANY DATA

# Earnings Revisions and Price Target

## Changes to Earnings

We revise our forecasts for underlying EPS by -395%, +27% and +24% for FY22e, FY23e and FY24e respectively. The EPS changes are mainly driven by adjustments to our TTV and expense assumptions as well as accounting for the 1H22 result, which included large impacts from the outbreak of omicron.

**Table 1 - Earnings Revisions**

| Year end 30 June | 2022e | | | 2023e | | | 2024e | | |
|---|---|---|---|---|---|---|---|---|---|
| | Old | New | *Change* | Old | New | *Change* | Old | New | *Change* |
| TTV (A$m) | 10,741 | 9,640 | *-10.3%* | 16,267 | 19,439 | *19.5%* | 19,702 | 23,123 | *17.4%* |
| **Revenue (A$m)** | **1,156** | **964** | ***-16.6%*** | **1,832** | **2,169** | ***18.4%*** | **2,294** | **2,679** | ***16.8%*** |
| PBT (Underlying) ($m) | -70.0 | -358.1 | *-411.8%* | 185.1 | 215.0 | *16.1%* | 320.7 | 365.3 | *13.9%* |
| NPAT (Underlying) ($m) | -56.0 | -252.0 | *-350.2%* | 138.8 | 160.6 | *15.7%* | 240.5 | 271.9 | *13.1%* |
| **EPS (Diluted) ($m)** | **-25.5** | **-126.3** | *-394.9%* | **63.3** | **80.5** | *27.1%* | **109.6** | **136.2** | *24.2%* |
| DPS (cps) | 0.0 | 0.0 | *n/a* | 40.0 | 32.9 | *-17.8%* | 52.0 | 68.1 | *31.0%* |
| **Year end 30 June** | **2022e** | | | **2023e** | | | **2024e** | | |
| | **Old** | **New** | ***Change*** | **Old** | **New** | ***Change*** | **Old** | **New** | ***Change*** |
| Australia/New Zealand | 4,941 | 4,050 | *-18.0%* | 7,961 | 10,000 | *25.6%* | 9,807 | 12,162 | *24.0%* |
| Americas | 2,621 | 2,898 | ***10.6%*** | 3,931 | 5,128 | ***30.4%*** | 4,717 | 5,830 | ***23.6%*** |
| EMEA | 1,865 | 1,801 | *-3.4%* | 2,611 | 2,969 | *13.7%* | 3,078 | 3,291 | *6.9%* |
| Asia | 1,254 | 845 | *-32.6%* | 1,667 | 1,258 | *-24.5%* | 1,953 | 1,700 | *-13.0%* |
| Other Regions | 61 | 47 | *-23.8%* | 98 | 84 | *-14.2%* | 147 | 141 | *-4.1%* |
| **Total TTV (A$m)** | **10,741** | **9,640** | ***-10.3%*** | **16,267** | **19,439** | ***19.5%*** | **19,702** | **23,123** | ***17.4%*** |
| **Year end 30 June** | **2022e** | | | **2023e** | | | **2024e** | | |
| | **Old** | **New** | ***Change*** | **Old** | **New** | ***Change*** | **Old** | **New** | ***Change*** |
| Australia/New Zealand | 533.6 | 352.8 | *-33.9%* | 883.7 | 1064.6 | *20.5%* | 1108.2 | 1362.1 | *22.9%* |
| Americas | 314.5 | 335.1 | *6.6%* | 479.6 | 610.2 | *27.2%* | 575.5 | 693.8 | *20.6%* |
| EMEA | 242.4 | 225.6 | *-6.9%* | 342.0 | 389.0 | *13.7%* | 406.3 | 431.1 | *6.1%* |
| Asia | 37.6 | 24.5 | *-34.9%* | 53.3 | 42.2 | *-20.9%* | 64.5 | 57.8 | *-10.3%* |
| Other Regions | 27.5 | 26.2 | *-4.9%* | 73.4 | 63.0 | *-14.2%* | 139.5 | 133.8 | *-4.1%* |
| **Total Revenue (A$m)** | **1,156** | **964.2** | ***-16.6%*** | **1,832** | **2169.0** | ***18.4%*** | **2,294** | **2678.6** | ***16.8%*** |

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

## Valuation

We utilise a discounted cash flow (DCF) methodology to arrive at our $20.50ps target price (previously $20.00ps).

Our Weighted Average Cost of Capital (WACC) is 11.0% (previously 10.1%) and our terminal growth rate is 3.0%.

**Figure 15 - Discounted Cash Flow Valuation**

| DCF | 7/03/2022 | FY22e Jun-22 | FY23e Jun-23 | FY24e Jun-24 | FY25 Jun-25 | FY26e Jun-26 | FY27e Jun-27 | FY28e Jun-28 | FY29e Jun-29 | FY30e Jun-30 | FY21e Jun-31 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating Cash Flow | | -267.1 | 591.9 | 527.8 | 575.6 | 489.1 | 463.0 | 489.0 | 511.5 | 534.8 | 559.1 |
| Capex | | (33.9) | (80.0) | (90.0) | (90.0) | (90.0) | (90.0) | (90.0) | (90.0) | (90.0) | (90.0) |
| **Free Cash Flow** | | **-301.0** | **511.9** | **437.8** | **485.6** | **399.1** | **373.0** | **399.0** | **421.5** | **444.8** | **469.1** |
| *Discount Rate* | | *0.315* | *1.315* | *2.318* | *3.318* | *4.318* | *5.318* | *6.321* | *7.321* | *8.321* | *9.321* |
| PV of FCF | | -291.2 | 446.1 | 343.4 | 343.0 | 253.9 | 213.7 | 205.8 | 195.8 | 186.1 | 176.7 |
| Terminal Value | | 2197.3 | | | | | | | | | |
| Value | | 4270.6 | | | | | | | | | |
| Net Debt/Cash | | 165.1 | | | | | | | | | |
| Acquisition Costs | | 0.0 | | | | | | | | | |
| **Equity Value** | | **4105.5** | | | | | | | | | |
| Dilution factor | | 99.7% | | | | | | | | | |
| **Fully diluted equity** | | **4094.9** | | | | | | | | | |
| Shares on Issue | | 199.7 | | | | | | | | | |
| **Equity Value Per Share ($)** | | **$20.50** | | | | | | | | | |

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

# Flight Centre Travel Group (FLT)

## Company Description

Flight Centre Travel Group is a provider of travel services across a number of sectors including leisure, corporate and wholesale, operating over 40 brands across the globe. The leisure business operates the Flight Centre store network, along with online booking websites, student travel offerings and adventure travel services. FLT operate two main corporate travel brands being FCM and Corporate Traveller, along with a number of smaller brands. Wholesalers include GOGO Vacations and Infinity Group.

## Investment View

We maintain our Buy recommendation and $20.50 PT. In our view, FLT has considerable brand strength in the domestic leisure travel market, extensive global growth opportunities across the corporate travel segment, strong cash generation, a strong balance sheet and historically attractive return on capital metrics. Despite near term uncertainty around the recovery for global travel, we expect the restoration of earnings at higher margins due to the removal of structural costs and market leadership from FLT's corporate business to be the key drivers of value over the long-term.

## Valuation

We utilise a Discounted Cash Flow (DCF) methodology to arrive at our target price of $20.50 (Prev. $20.00). Key inputs include a WACC of 11.0%, terminal growth rate of 3.0% and market gearing level of 4.6%.

## Key Risks

Risks associated with an investment in FLT include but are not limited to:

- **Structural shifts in travel booking activity:** FLT generate a large portion of group profits from instore leisure travel. Continued growth in online travel bookings at the expense of instore travel agents may impact FLT's profitability;
- **Travel volumes:** FLT's leisure revenue is heavily dependent on international travel bookings, which in turn are impacted by economic conditions and consumer discretionary spending. A decline in travel volumes would impact FLT's financial performance;
- **Business travel activity:** FLT are generating an increasing level of corporate travel revenue. A decline in business confidence or business travel activity may impact FLT's financial performance;
- **Currency movements:** FLT generate a substantial level of revenues in offshore markets in foreign currencies. Adverse moves in the AUD against these currencies may impact financial performance;
- **Increased competition:** Entrants of new competitors or aggressive behaviour by existing competitors may impact FLT's mkt share and in turn financial performance; and
- **International airfares:** FLT generate a large portion of revenues from airline ticket commissions and back-end revenues which are based on dollar value targets. A decline in international airfares may impact FLT's revenue and margins.

# Flight Centre Travel
as at 7 March 2022

| | |
|---|---|
| Recommendation | Buy |
| Price | $17.05 |
| Target (12 months) | $20.50 |

## Table 1 - Financial summary

June Year End

| Profit & Loss (A$m) | 2019 | 2020 | 2021 | 2022e | 2023e | 2024e |
|---|---|---|---|---|---|---|
| Revenue | 3,055.3 | 1,898.1 | 395.9 | 964.2 | 2,169.0 | 2,678.6 |
| Other income | 10.8 | 182.3 | 241.3 | 31.9 | 6.0 | 6.0 |
| Expenses | (2,640.3) | (2,331.2) | (992.5) | (1,204.2) | (1,806.5) | (2,154.4) |
| **Underlying EBITDA** | **425.8** | **(250.7)** | **(355.2)** | **(208.1)** | **368.5** | **530.3** |
| *. . . Change* | *-6.9%* | *-158.9%* | *41.7%* | *-41.4%* | *-277.1%* | *43.9%* |
| Depreciation & Amortisation | 82.4 | 237.0 | 138.0 | 112.2 | 98.2 | 105.8 |
| **Underlying EBIT** | **343.4** | **(487.8)** | **(493.2)** | **(320.2)** | **270.3** | **424.5** |
| JV and associates | 1.1 | (5.0) | 17.5 | 14.5 | 6.0 | 6.0 |
| Net Interest | (1.5) | (23.7) | (31.4) | (52.4) | (61.3) | (65.2) |
| **Underlying PBT** | **343.1** | **(516.5)** | **(507.1)** | **(358.1)** | **215.0** | **365.3** |
| Tax expense | (79.3) | 187.2 | 168.3 | 106.1 | (54.3) | (93.4) |
| . . . tax rate | 23.1% | 36.2% | 33.2% | 29.6% | 25.3% | 25.6% |
| **Underlying Net Profit** | **263.8** | **-329.3** | **-338.9** | **-252.0** | **160.6** | **271.9** |
| Abs. & extras. (post-tax) | 0.3 | (332.8) | (124.2) | (5.9) | - | - |
| **Reported Profit (cont. Ops)** | **264.2** | **-662.1** | **-463.1** | **-257.9** | **160.6** | **271.9** |

| Cashflow (A$m) | 2019 | 2020 | 2021 | 2022e | 2023e | 2024e |
|---|---|---|---|---|---|---|
| **Underlying EBITDA** | **425.8** | **(250.7)** | **(355.2)** | **(208.1)** | **368.5** | **530.3** |
| Change in working capital | (23.0) | (145.0) | (317.2) | (47.1) | 257.2 | 35.2 |
| Tax Paid | (90.7) | (22.4) | 28.2 | 37.1 | 0.0 | - |
| Net Interest Expense | (1.7) | (26.0) | (18.3) | (4.9) | (6.2) | (10.1) |
| Other | (31.5) | 433.5 | (249.6) | (20.9) | - | - |
| **Operating cash flow** | **278.9** | **(10.6)** | **(912.2)** | **(243.9)** | **619.5** | **555.4** |
| Capex | (101.0) | (94.2) | (37.4) | (33.9) | (80.0) | (90.0) |
| Lease liabilities | - | (113.8) | (91.0) | (72.3) | (52.0) | (52.0) |
| **Free Cash Flow** | **177.9** | **(218.7)** | **(1,040.6)** | **(350.1)** | **487.5** | **413.4** |
| Dividends paid | (319.8) | (99.2) | - | - | - | (110.2) |
| Acquisitions | (211.0) | (44.6) | (1.8) | (0.6) | - | - |
| Disposals | - | - | 62.5 | - | - | - |
| Share Issues | (4.0) | 694.2 | 4.9 | 2.0 | - | - |
| Change in borrowings | 148.7 | 276.0 | 496.3 | 152.8 | (27.5) | (27.5) |
| Other | 107.5 | 85.8 | (96.2) | (184.4) | - | - |
| **Net Change in Cash** | **(100.7)** | **693.5** | **(575.0)** | **(380.3)** | **460.0** | **275.6** |

| Balance Sheet (A$m) | 2019 | 2020 | 2021 | 2022e | 2023e | 2024e |
|---|---|---|---|---|---|---|
| Cash | 717.8 | 1,778.0 | 1,172.1 | 789.9 | 1,115.4 | 1,186.5 |
| Restricted cash | 454.4 | 87.8 | 118.7 | 120.6 | 255.1 | 459.6 |
| Receivables | 559.4 | 319.6 | 279.3 | 544.7 | 646.7 | 579.5 |
| Inventory | 1.6 | 12.1 | 11.8 | 11.8 | 11.8 | 11.8 |
| Other current assets | 574.4 | 241.0 | 241.4 | 337.2 | 337.2 | 337.2 |
| **Current assets** | **2,307.7** | **2,438.5** | **1,823.3** | **1,804.3** | **2,366.2** | **2,574.6** |
| Fixed assets | 239.9 | 153.4 | 90.0 | 72.1 | 82.6 | 90.6 |
| Goodwill | 598.6 | 571.0 | 549.1 | 556.6 | 556.6 | 556.6 |
| Other intangibles | 170.0 | 138.9 | 138.4 | 141.1 | 164.3 | 192.6 |
| Right-of-Use Assets | - | 371.4 | 243.7 | 216.5 | 216.5 | 216.5 |
| Deferred Tax | 72.1 | 242.2 | 331.1 | 426.6 | 372.2 | 278.8 |
| Other non-curr assets | 105.1 | 50.5 | 89.3 | 167.6 | 170.6 | 173.6 |
| **Non Current Assets** | **1,185.7** | **1,527.3** | **1,441.5** | **1,580.5** | **1,562.9** | **1,508.7** |
| **Total Assets** | **3,493.4** | **3,965.8** | **3,264.9** | **3,384.8** | **3,929.2** | **4,083.3** |
| Short term debt | 84.7 | 211.7 | 212.2 | - | - | - |
| Creditors | 1,517.8 | 1,203.0 | 843.2 | 1,063.5 | 1,422.7 | 1,390.7 |
| Deferred revenue | 68.7 | 235.8 | 54.5 | 46.9 | 46.9 | 46.9 |
| Lease liability | - | 134.2 | 100.8 | 96.8 | 96.8 | 96.8 |
| Other current liabilities | 83.9 | 72.2 | 50.3 | 52.5 | 52.5 | 52.5 |
| **Current Liabilities** | **1,755.1** | **1,856.8** | **1,260.9** | **1,259.7** | **1,618.9** | **1,586.9** |
| Long term debt | 100.4 | 250.5 | 355.7 | 354.3 | 354.3 | 354.3 |
| Convertible note | - | - | 347.2 | 686.4 | 713.9 | 741.4 |
| Creditors | 59.5 | - | 2.0 | - | - | - |
| Deferred revenue | 48.5 | 40.6 | 34.9 | 34.2 | 34.2 | 34.2 |
| Lease liability | - | 392.4 | 267.7 | 228.5 | 228.5 | 228.5 |
| Other | 67.6 | 65.5 | 40.3 | 34.9 | 34.9 | 34.9 |
| **Non Current Liabilities** | **276.0** | **749.1** | **1,047.9** | **1,338.3** | **1,365.8** | **1,393.3** |
| **Total Liabilities** | **2,031.1** | **2,605.9** | **2,308.8** | **2,598.0** | **2,984.7** | **2,980.2** |
| **Net Assets** | **1,462.3** | **1,360.0** | **956.0** | **786.8** | **944.4** | **1,103.1** |
| Share capital | 405.6 | 1,094.1 | 1,099.1 | 1,103.0 | 1,103.0 | 1,103.0 |
| Retained earnings | 1,053.0 | 254.5 | (178.6) | (439.1) | (281.4) | (122.8) |
| Reserves and NCI | 3.7 | 11.4 | 35.6 | 122.9 | 122.9 | 122.9 |
| **Total Equity** | **1,462.3** | **1,360.0** | **956.0** | **786.8** | **944.4** | **1,103.1** |
| | | | | | | |
| Net debt/(cash) $m | (532.8) | (1,315.9) | (257.0) | 250.8 | (47.2) | (90.7) |

| | |
|---|---|
| Price | $17.05 |
| Recommendation | Buy |
| Shares on issue (m) | 199.7 |
| Market cap ($m) | 3,405.2 |
| Target Price (A$ps) | $20.50 |

| Valuation Ratios | 2019 | 2020 | 2021 | 2022e | 2023e | 2024e |
|---|---|---|---|---|---|---|
| **Underlying EPS (¢ps)** | **224.2** | **-274.6** | **-170.1** | **-126.3** | **80.4** | **136.1** |
| *. . . % change* | -19.8% | -222.5% | -38.0% | -25.8% | -163.7% | 69.2% |
| **P/E (x)** | **7.6** | **-6.2** | **-10.0** | **-13.5** | **21.2** | **12.5** |
| EV/EBITDA (x) | 8.4 | -14.2 | -10.1 | -17.2 | 9.7 | 6.7 |
| EV/EBIT (x) | 10.4 | -7.3 | -7.2 | -11.1 | 13.2 | 8.4 |
| | | | | | | |
| NTA ($ps) | 5.89 | 5.42 | 1.35 | 0.45 | 1.12 | 1.77 |
| P/NTA (x) | 2.9 | 3.1 | 12.6 | 38.2 | 15.2 | 9.6 |
| Book Value ($ps) | 12.43 | 11.34 | 4.80 | 3.94 | 4.73 | 5.52 |
| Price/Book (x) | 2.9 | 3.1 | 12.6 | 38.2 | 15.2 | 9.6 |
| | | | | | | |
| DPS (¢ps) | 307.0 | - | - | - | 32.9 | 68.1 |
| *. . . % pay-out* | *59.9%* | *0.0%* | *0.0%* | *0.0%* | *20.5%* | *25.0%* |
| **Yield (%)** | **18.0%** | **0.0%** | **0.0%** | **0.0%** | **1.9%** | **4.0%** |
| Franking (%) | 100% | 100% | 100% | 100% | 100% | 100% |

| Performance Ratios | 2019 | 2020 | 2021 | 2022e | 2023e | 2024e |
|---|---|---|---|---|---|---|
| Revenue growth (%) | 4.0% | -32.1% | -69.4% | 56.3% | 118.3% | 23.4% |
| EBITDA growth (%) | -6.9% | -158.9% | 41.7% | -41.4% | -277.1% | 43.9% |
| EBITDA margin (%) | 13.9% | -12.1% | -55.7% | -20.9% | 16.9% | 19.8% |
| EBIT growth (%) | -9.5% | -242.0% | 2.6% | -29.0% | -156.1% | 71.9% |
| OCF Realisation | 80.5% | 1.9% | 227.9% | 129.7% | 286.2% | 162.1% |
| FCF Realisation | 67.3% | 33.0% | 224.7% | 144.7% | 286.3% | 141.9% |
| FCF Yield % | 8.9% | -10.7% | -30.6% | -11.0% | 13.5% | 11.3% |
| ROE (%) | 18.0% | -24.2% | -35.4% | -32.0% | 17.0% | 24.6% |
| ROIC (%) | 22.1% | -30.4% | -29.0% | -17.6% | 14.0% | 20.1% |
| Interest Cover | 235.88 | -20.62 | -15.71 | -6.11 | 4.41 | 6.51 |
| Current Ratio | 1.31 | 1.31 | 1.45 | 1.43 | 1.46 | 1.62 |
| Net Debt/EBITDA | -1.25 | 5.25 | 0.72 | -1.21 | -0.13 | -0.17 |
| Net Debt/Equity (%) | -36.4% | -96.8% | -26.9% | 31.9% | -5.0% | -8.2% |

| Regional Segments | 2019 | 2020 | 2021 | 2022e | 2023e | 2024e |
|---|---|---|---|---|---|---|
| ANZ | 12,506.1 | 7,343.6 | 2,067.0 | 4,050.1 | 10,000.1 | 12,161.9 |
| Americas | 5,537.2 | 3,646.4 | 802.8 | 2,897.6 | 5,127.7 | 5,829.9 |
| EMEA | 3,411.8 | 2,454.7 | 568.2 | 1,801.1 | 2,969.5 | 3,291.1 |
| Asia | 1,946.0 | 1,666.9 | 473.3 | 844.6 | 1,257.9 | 1,699.6 |
| Other | 326.7 | 191.4 | 33.9 | 46.7 | 84.0 | 140.9 |
| **Group TTV** | **23,727.8** | **15,303.1** | **3,945.2** | **9,640.0** | **19,439.1** | **23,123.4** |
| | | | | | | |
| ANZ | 1,568.4 | 870.6 | 176.7 | 352.8 | 1,064.6 | 1,362.1 |
| Americas | 649.9 | 445.6 | 110.9 | 335.1 | 610.2 | 693.8 |
| EMEA | 440.5 | 332.3 | 79.4 | 225.6 | 389.0 | 431.1 |
| Asia | 98.8 | 67.0 | 15.0 | 24.5 | 42.2 | 57.8 |
| Other | 297.7 | 182.5 | 13.9 | 26.2 | 63.0 | 133.8 |
| **Operating revenue** | **3,055.3** | **1,898.1** | **395.9** | **964.2** | **2,169.0** | **2,678.6** |
| *Revenue margin (%)* | *12.9%* | *12.4%* | *10.0%* | *10.0%* | *11.2%* | *11.6%* |
| | | | | | | |
| ANZ | 239.7 | (177.9) | (123.8) | (176.0) | 195.3 | 324.3 |
| Americas | 113.9 | (24.9) | (75.8) | 19.8 | 126.6 | 133.2 |
| EMEA | 95.4 | 20.3 | (47.2) | 30.9 | 108.2 | 113.4 |
| Asia | 16.9 | (4.5) | (17.1) | (18.9) | (1.5) | 8.8 |
| Other | (38.9) | (68.8) | (73.8) | (49.3) | (54.1) | (43.4) |
| Deduct JV and associates | (1.1) | 5.0 | (17.5) | (14.5) | (6.0) | (6.0) |
| **Underlying EBITDA** | **425.8** | **(250.7)** | **(355.2)** | **(208.1)** | **368.5** | **530.3** |

| Implied Business Unts | 2019 | 2020 | 2021 | 2022e | 2023e | 2024e |
|---|---|---|---|---|---|---|
| Leisure | 13,877.8 | 7,422.2 | 1,391.2 | 3,822.1 | 10,443.6 | 13,260.9 |
| Corporate | 8,970.1 | 6,911.1 | 2,169.1 | 5,226.6 | 8,252.5 | 9,007.0 |
| Other | 879.9 | 969.8 | 384.9 | 591.4 | 743.1 | 855.6 |
| **Group TTV** | **23,727.8** | **15,303.1** | **3,945.2** | **9,640.0** | **19,439.1** | **23,123.4** |
| | | | | | | |
| Leisure | 129.2 | (528.5) | (366.5) | (281.7) | 77.5 | 147.2 |
| Corporate | 267.5 | 72.3 | (122.0) | (31.7) | 184.6 | 266.0 |
| Other | (53.6) | (60.4) | (18.7) | (44.7) | (47.1) | (47.8) |
| **Underlying PBT** | **343.1** | **(516.5)** | **(507.1)** | **(358.1)** | **215.0** | **365.3** |
| *Underlying PBT margin (%)* | *1.4%* | *-3.4%* | *-12.9%* | *-3.7%* | *1.1%* | *1.6%* |

SOURCE: BELL POTTER SECURITIES ESTIMATES

**Recommendation structure**

**Buy:** Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

**Hold:** Expect total return between -5% and 15% on a 12 month view

**Sell:** Expect <-5% total return on a 12 month view

*Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.*

*Such investments may carry an exceptionally high level of capital risk and volatility of returns.*

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