

Travel is back and Corporate Travel profits are heading skywards

Company/ASX Code	Corporate Travel Management Ltd / CTD
AGM time and date	11am AEST (Brisbane time) Thursday, 31 October 2024
Location	The Inchcolm Brisbane, 73 Wickham Terrace, Spring Hill.
Registry	Link Market Services
Type of meeting	In person with webcast
Monitor	Steven Mabb assisted by Meredith Clarke & David Loosemore
Pre-AGM Meeting	Yes with Chair Ewen Crouch, Director Sophia Mitchell and Company Secretary Shelley Sorrenson.

Monitor Shareholding: The individual involved in the preparation of this voting intention has a shareholding in this company.

1. How we intend to vote

No.	Resolution description	
1	Remuneration report	For
2 a	Re-election of Director Sophia Mitchell	For
2 b	Re-election of Director Ewen Crouch	For
3	Approval of Increase in Non-Executive Directors Fee Pool	Undecided
4	Change of Auditor	For
5	Approval of grant of rights to Mr Jamie Pherous under the Company's Omnibus Incentive Plan	For

2. Summary of Issues and Voting Intentions for AGM

- Rationale for the proposed Increase of 48% in the Non-Executive Director's Fee Pool, given current Directors are currently paid at the top end of a comparator group of companies which ASA has looked at.
- Request for a better Board skills matrix, to allow shareholders to make properly informed decisions on Director elections. And for it to be published in the Annual Report in future years.
- Workload of the Chair and his capacity to deal with any future "crisis" at Corporate Travel as a result.

See [ASA Voting guidelines](#) and [Investment Glossary](#) for definitions.

3. Matters Considered

Accounts and reports

Financial performance

(As at FYE)	2024	2023	2022	2021	2020
NPAT (\$m)	84.45	77.57	3.10	-55.35	-8.18
Share price (\$)	12.27	18.09	21.15	21.0	15.25
Dividend (cents)	29.0	28.0	5.0	0	0
Simple TSR (%)	-32%	-13%	-13%	128%	-55%
EPS (cents)	69.78	54.06	10.53	-23.21	60.11
CEO total remuneration, actual (\$k)	707	1016	906	460	436

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year.

Governance and culture

The ASA would like to see an improved Board Skills Matrix, that is also published in the Annual Report so that shareholders are properly informed about the governance of the company and can vote appropriately on Director elections moving forward. The company shared that they do produce a more detailed assessment and matrix which is used internally but that it is not currently published externally.

The annual employee engagement surveys resulted in a 7.6 out of 10 score and an employee Net Promoter Score of 42, which puts Corporate Travel around the median of similar companies. We asked about what could be done practically to improve this result given employee engagement is often a leading indicator for future business performance and some good detail was shared on what is currently being worked on in this regard.

During the year the company also began a formal leadership development program for Executives, utilising outside facilitators. This program used assessment tools to determine alignment with current strategies and also skills required to achieve the company's plans moving forward. This seems like very worthwhile succession planning, to prepare other leaders for the time when Founder and CEO Jamie Pherous will no longer be leading the company.

Key events

The company released a strategic plan for the next 5 years, that provides good detail on how they plan to double the business during that period.

Key board or senior management changes

James Spence commenced as CFO in May 2024 and seems to have a good handle on the business already if recent investor presentations from him are an indication.

North American CEO Kevin O'Malley retired in April 2024 and Anita Salvatore is transitioning into this role from her COO role, with Kevin's assistance.

Laura Ruffles stepped down from her Board and Executive roles during the year due to personal health issues.

All of these changes seem to have been well managed.

Sustainability/ESG

The company has produced a very detailed sustainability report again this year. They are working towards being carbon neutral by 2030.

In FY24, 20% of the company's energy needs were sourced from renewables. The company had previously set a target of 50% renewables in FY24 but were unable to meet the full target because of challenges accessing renewable energy for their offices in certain regions and challenges engaging with landlord stakeholders.

There are high numbers of female employees and leaders across the company.

4. Rationale for Voting Intentions

Resolution 1 Remuneration Report - For

Overall, the remuneration structure is reasonable in size and broadly aligned with retail shareholders. It incentivises management to grow Underlying Earnings before Interest, Tax and Depreciation (EBITDA) with a Share Price Gateway in place before Long Term Incentive rights can vest. The STI also measures non-financial goals at 50% of the overall incentive, based on each manager's performance related to the company's people, client and product objectives. If achieved consistently, this mix of measures should lead to good outcomes for shareholders.

There is also a nice table in the Annual report that outlines the specific performance of Management and how it impacts the calculations of their STI.

In FY24 the measures for both STI and LTI were not achieved and we commend the Board for not exercising discretion to still award incentives.

There are a few items relating to CEO remuneration that are contrary to ASA guidelines.

- STI is paid as 100% cash. ASA prefers at least 50% to be paid in equity with a minimum 12 month holding period.

- LTI is based on underlying EBITDA growth measured over three years. ASA prefers four to five years.

In FY25 the LTI is being changed and will now be focused on earnings growth at a statutory rather than underlying level. It requires a minimum of 5% CAGR in Earnings Per Share, before any LTI rights can be awarded. It will still be subject to a Share Price hurdle however this has been raised from a minimum 1 cent increase, to now be a minimum \$2.00 increase vs the prior year.

We will vote in favour of the remuneration report this year and do hope the company considers the above points moving forward.

Resolution 2 a Re-election of Director Sophia Mitchell – For

It is difficult to know exactly which skills Sophia Mitchell contributes to the Board other than general governance given the lack of detailed Board skills matrix. She has many years of experience at Morgans Financial, was a member of the Australian Government Takeovers Panel for many years and has held another Directorship at Apollo Tourism and Leisure. She has been a member of the Corporate Travel Board since 2019 and has appropriate “skin in the game”.

We will support her re-election.

Resolution 2 b Re-election of Director Ewen Crouch – For

Again, it is difficult to know exactly which skills other than legal and general governance that Ewen Crouch contributes to the Board given the lack of detailed Board skills matrix. He is the current Chair of Corporate Travel and has been on the Board since 2019 and has adequate skin the game. Past experience includes many years at legal firm Allen’s, as a member of the Federal Takeovers Panel and Commonwealth Remuneration Tribunal.

He has a considerable workload at present, as Chair of Corporate Travel of course and also as Chair of listed company AnteoTech Ltd. In addition he is a Director at Bluescope Steel and an unlisted Director position at Jawun. This is solid list of commitments and might limit his capacity to deal with a potential “black swan” event in the travel industry that could impact Corporate Travel for example. He did reassure us in our pre-AGM meeting that he has the capacity should that situation arise.

We will support his re-election.

Resolution 3 Approval of Increase in Non-Executive Directors Fee Pool - Undecided

The company is seeking an increase in this pool by \$450,000. The increase would take the pool from \$950,000 to a maximum sum of \$1,400,000 per annum to be split between the Non-Executive Directors as they determine, which is a 48% increase. We asked about the process and

they shared that they had conducted an external review of fees and have benchmarked the fee pool to a group of companies between the ASX100 and 200.

Directors were awarded an individual 3.5% fee increase in FY23 and an increase of between 8% and 14% in FY24.

ASA looked at a small group of other listed companies in the travel sector like FLT or WEB, which both have much bigger market capitalisations. We also looked at a small group of other similar size companies in the government or corporate services industries like DTL, OCL, SDR and DDR. Corporate Travel already pays its Non-Executive Directors at the highest rate of comparable size companies and at a similar rate to companies with double the market capitalisation, from this small comparator group we looked at.

We plan to ask the Chair for more clarity on what the increased pool would be used for, given the generous amounts existing Directors are currently paid.

Resolution 4 Change of Auditor - For

The company wishes to change its Auditor from PWC, who have been in place since 2010 to Deloitte. A competitive tender was undertaken and ASA is supportive of this process.

We will vote in favour of this resolution.

Resolution 5 Approval of grant of rights to Mr Jamie Pherous under the Company's Omnibus Incentive Plan - For

Mr Jamie Pheros is Managing Director of the Company, and a related party of the Company by virtue of him being a Director. In turn shareholder approval is required to issue any rights awarded to him under the company's remuneration plan. The maximum number of rights that could be issued in FY25 is 225 000. Details of his Remuneration potential for FY25 can be seen in the Appendix 1 table below.

We will vote in favour of this resolution.

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Appendix 1

Remuneration framework detail

CEO rem. Framework for FY25	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	\$1.000	50%	\$1.000	39%
STI - Cash	\$0.500	25%	\$0.600	22%
STI - Equity	0	0%	0	0%
LTI	\$0.500	25%	\$1.000	39%
Total	\$2.000	100.0%	\$2.600	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.

*Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting. Some remuneration framework set a maximum opportunity amount, but not all.