Australian Shareholders' Association

Australian Shareholders' Association Limited
ABN 40 000 625 669
Suite 11, level 22
227 Elizabeth Street, Sydney NSW 2000
PO Box A398, Sydney South NSW 1235

A rapid, post-COVID take off

Company/ASX Code	Flight Centre Limited/FLT
AGM time and date	10.00am AEST (Brisbane time) Thursday 14 November 2023
Location	Emporium Hotel, Frangipani Rooms 1 & 2, Level 1, 267 Grey Street South Brisbane QLD
Registry	Computershare
Type of meeting	Hybrid - virtual at https://meetnow.global/MHGRR4S
Monitor	Peter Cory assisted by Susan Bailey
Pre-AGM Meeting	Yes, with Chair Gary Smith and Shareholder Relations Head, Haydn Long

The individuals (or their associates) involved in the preparation of this voting intention have no shareholding in this company.

1. How we intend to vote

No.	Resolution description	Vote
1	Re-election of Director Robert Baker as a non-executive director	For
2	Re-election of Director Colette Garnsey as a non-executive director	For
3	Grant of Deferred Incentive Plan rights to Managing Director	For
4	Increase Non-executive Directors' Fee Pool	For
5	Renumeration Report	For

2. Summary of Issues and Voting Intentions for AGM

Flight Centre is a diverse global business with four key divisions in four regions being Australia's largest travel retailer & corporate travel manager with a 15,000 global workforce (including independent agents).

FLT delivered a record $421m operating cash inflow during FY24, solidifying the balance sheet with more than $500m investment in capital management initiatives since start of FY24. This prioritised sustainable shareholder value creation through investing in key long-term growth drivers, systems & tech to enhance productivity & customer experience, sales network (on & offline channels & people) and product & service offerings.

It has re-emerged from the pandemic in a stronger position being a more efficient & more productive business with building blocks in place to deliver stronger returns.

FLT has however suffered a 20% drop in its share price on the 18th October, after Flight Centre released an operational review and trading update for FY 2025 at the Morgan's Conference. Investors sold down the Flight Centre share price despite the company highlighting the efficiency and productivity improvements achieved since the global pandemic. This followed a similar share price drop in Web Jet shares on a similar downgrade. Hello World and Corporate Travel have also experienced a gradual decrease in their share prices over the last 12 months.

International Travel is up 15%, industry growth up 4.5% however fares are down and TTV is flat.

The following points were discussed at the pre AGM Meeting:
Cybersecurity:
- spending has increased on cybersecurity risk management considerably over the past few years.
- the company is reluctant to include much information about managing cybersecurity risk in the Annual Report, as they feel disclosure may lead to adverse incidents
Board expertise in IT and legal:
- confidence in the ability of Kirsty Rankin and her past experience in IT, and have a specialized IT team
Director Tenure
- FLT are considering a new director appointment and succession planning for the Chair and directors John Eales and Robert Baker .
Organisation culture
- aware of risks and the potential issues, and current scandals faced by other companies.
- the director believes that FC is a very open culture, and that the long-standing board has a strong knowledge of employees.
- an anonymous staff satisfaction survey is completed by all staff once a year
- directors visit shop fronts all around the world
- FLT consistently placed in independent Travel Industry and Work Place Surveys as a Trusted Business and a Great Place to Work

See ASA Voting guidelines and Investment Glossary for definitions.

3. Matters Considered

Accounts and reports

Flight Centre recorded a strong FY24 with the following highlights.

- Record TTV of $23.74b - circa $1.8b YOY increase.
- 131% underlying PBT increase to $320m, statutory PBT up 212% to $219.7m (PBT adjustments included in Appendix 2 & as outlined previously, apart from additional $10.7m provision for money owed to FLT by REX in Australia).
- 72bps underlying profit margin improvement to 1.35% – driven by revenue margin uplift with stable cost margin.
- Record $421m operating cash inflow.

- Almost $450m in capital management initiatives undertaken during FY24.
- Additional $66m shareholder return via 30 cents per share fully franked FY24 final dividend.

In line with policy announced at the start of FY24, and underpinned by strong cash generation Flight Centre has been able to

- Reduce debt & convertible notes by circa $385 million.
- Refinance and restructure SFA on improved terms.
- Return $62 million to holders via dividends during FY24.
- Plan to reduce future EPS dilution – FLT will consider CN/equity buy-backs.

Financial performance

(As at FYE)	2024	2023	2022	2021	2020
NPAT ($m)	139.20	47.40	-287.10	-433.40	-662.20
UPAT ($m)	229.60	106.00	-272.60	-364.00	-378.30
Share price ($)	20.18	19.05	17.36	14.85	11.40
Dividend (cents)	40	18	0	0	98
Simple TSR (%)	7.40%	10.6%	16.90%	30.26%	71.00%
EPS (cents)	63.70	23.10	-143.70	-217.50	-552.10
CEO total remuneration, actual ($m)	0.955	0.895	0.684	0.647	0.600

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 company provides a clear and readable Board Skills Matrix in its annual report. The Board acknowledges that its primary role is to create and safeguard shareholder value.

Flight Centre's Corporate Governance Statement as at *30 June 2024* has been approved by the board and can be found at www.fctgl.com/investors#governance-documents) and sets out:

- the respective roles and responsibilities of the Board and management; and
- the matters expressly reserved to the Board and those delegated to management.

Key events

During the year, Flight Centre made some closures/restructuring for the following underperforming businesses during the year

- **GoGo**. A US wholesale business closed announced at half year.

  $17.6m in trading losses & closure costs during FY24 (FY23: $7.6m loss)

- **Discova Central Americas.** A Mexico-based Destination Management Company reviewed & then closed in June.

  $11.6m in FY24 trading losses & closure costs (FY23: $1.4m full year loss)

- **Student Universe**. A Student travel marketplace restructured & now part of Jetmax online travel agency division.

  $8.9m FY24 trading loss incurred (FY23: $6.9m loss), with profit expected in FY25 after changes are implemented

- **Infinity/The Travel Junction (TTJ).** A **l**oss-making wholesale businesses ($5.9m trading losses during FY24) restructured.

Infinity is now part of Envoyage (effective July 2024) &servicing independent agents & agencies.

TTJ is now a “bed bank” providing API access for B2B customers to circa 40,000 directly contracted hotels

Key board or senior management changes

There were no substantial changes in senior management. Two directors are seeking re-election.

4. Rationale for Voting Intentions

1. Re-election of Director Robert Baker (FOR)

Robert Baker has been a director since 2013 and serves on Flight Centre’s remuneration and nomination committee and chairs its audit and risk committee.

We support the Re-election of Director Robert Baker, however note that he has been on the board for eleven years.

2. Re-election of Director Collete Garnsey (FOR)

Collete Garnsey has been a director since February 2018 serves on Flight Centre’s remuneration and nomination committee and audit and risk committee.

We support the Re-election of Collete Garnsey.

3. Grant of Deferred Incentive Plan rights to Managing Director and Group Chief Executive Officer, Graham Turner (FOR)

The Deferred Incentive Plan was recently established to perform two key functions:

1. To ensure overall remuneration packages remain competitive in a tight labour market; and

2. To reward and incentivise participants to meet the Company’s strategic objective to achieve a 2% margin for the Company’s consolidated underlying group profit before tax (“**PBT**”), whilst also ensuring total transaction value (“**TTV**”) continues to grow. The Company achieved a 1.35% underlying PBT margin during FY24 and is focused on achieving its 2% margin objective within its FY25 “stretch”, but will balance this against delivering sustainable long-term value for shareholders.

On exercise of a DIP Right, the Company will settle its obligation by either buying DIP Shares on market or issuing new DIP Shares, unless the Board determines otherwise or as required by law.

We support Grant of Deferred Incentive Plan rights to Managing Director and

Group Chief Executive Officer, Graham Turner of up to 27,243 rights under the Deferred Incentive Plan

4. Increase Non-executive Directors' Fee Pool (FOR)

Increase of the fee pool that may be payable to non-executive directors by $400,000, from $1.1 million to $1.5 million:

The proposed increase is the first since 2018 and will give the Company head room to:

- appoint an additional board member, particularly as the Company's business expands or if additional specialist skills are sought;
- increase fees to align with the market, following appropriate benchmarking; and
- increase fees to align with any increases in responsibility.

No securities have been issued to non-executive directors under ASX listing rule 10.11 or 10.14 with the approval of the Company's shareholders at any time in the last three years.

We support the Increase in the Non-executive Directors' Fee Pool

5. Remuneration Report (FOR)

CEO rem. Framework for FY24	Target $	% of Total	Actual Received	% of Total
Fixed Remuneration	$807,185	77%	$807,185	85%
STI - Cash	$241,679	23%	$147,424	15%
STI - Deferred		0%		0%
LTI		0%		0%
Other		0%		0%
Total	$1,048,864	100%	$954,609	100%

For 2024, the CEO's total actual remuneration of $0.954m was **7.28 times** the Australian Full time Adult Average Weekly Total Earnings (based on $131,097 from data from the ABS. [Australia | Average Salary Survey 2024)](). In addition, the CEO is a substantial shareholder with 16.6m shares.

Flight Centre's Remuneration is unlike any other and encourages KMP and other employees to take an ownership interest in the company. Evaluation using ASA Guidelines is difficult because the framework is so different.

We consider the CEO's renumeration to be modest and support Resolution 5.

ASA Disclaimer

This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 ("ASA"). It is not a disclosure document, it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:

- *makes any representations, warranties or guarantees (express or implied) as to the accuracy, reliability, completeness or fitness for purpose of any statements or information contained in this document; or*
- *shall have any liability (whether in contract, by reason of negligence or negligent misstatement or otherwise) for any statements or information contained in, or omissions from this document; nor for any person's acts or omissions undertaken or made in reliance of any such statements, information or omissions.*

This document may contain forward looking statements. Such statements are predictions only and are subject to uncertainties. Given these uncertainties, readers are cautioned not to place reliance on any such statements. Any such statements speak only to the date of issue of this document and ASA disclaims any obligation to disseminate any updates or revisions to any such statements to reflect changed expectations or circumstances.
