



### Developing corporate travel of the future

<b>Company/ASX Code</b>	Corporate Travel Management Ltd
<b>AGM date</b>	Tuesday 27 October, 2020
<b>Time and location</b>	11.00am Virtual Meeting
<b>Registry</b>	Computershare
<b>Webcast</b>	Yes
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Shirley Watson assisted by Alison Harrington
<b>Pre AGM Meeting?</b>	Yes with Chairman Ewen Crouch

Please note any potential conflict as follows: The individual(s) (or their associates) involved in the preparation of this voting intention have no shareholding in this company.

<b>Item 1</b>	<b>Adoption of Remuneration Report</b>
<b>ASA Vote</b>	No vote required

### Summary of ASA Position

Corporate Travel Management (CTM) is a global provider of travel solutions which include corporate, events leisure loyalty and wholesale travel. It concentrates on personalised service supported by technology solutions to deliver a one-stop shop service to customers. Its Head Office is in Australia but a substantial part of its business is overseas. Revenue is sourced 39% from the Americas, 22% from Europe, 15% from Asia with 24% from Australia/NZ.

FY20 was an extremely difficult year for the Company with 1H20 affected by Brexit and US/China trade wars but more specifically from March 2020 onwards by the COVID induced rapid disruption to global corporate travel. Staff numbers were reduced quickly with over 1,000 redundancies to downsize the global workforce. Government support measures allowed necessary staff capacity to be retained until travel volumes improved. The company's high variable cost base assisted Management to respond quickly in re-setting the cost base.

No **dividend** was paid in FY20. The interim dividend was deferred and later cancelled because of uncertainty around global recovery timeframes. No final dividend was declared. There had been a 95% fall in client activity in 2H20. The company retains its policy of 50% of profits for growth and 50% to be paid as franked dividends. No dividends were paid in FY20 because the priority was maintaining a strong liquidity position and capital preservation. The Board has demonstrated concern for shareholder benefits. It has consistently paid dividends in the past. Future dividends will depend on a return to profitability. The Managing Director's income is obtained through dividends.

The Board has demonstrated empathy for the impact of COVID-19 on shareholder benefits. Non-executive directors and Executives have taken a 33% and 25% reduction in remuneration, respectively. In the recent capital raising, retail investors were offered their entitlement on the same conditions as for Institutional clients – 1 for 4.03 at issue price of \$13.85.

### **Acquisitions**

Corporate Travel (CTM) acquired and successfully integrated Texas-based Corporate Travel Planners (CTP) as a strategic fit for the company. Although it occurred in early FY21, CTM's acquisition of US based Travel and Transport for A\$274.5 million is worth noting as providing longer term growth opportunities for shareholder returns. The impact of COVID-19 had reduced the implied acquisition multiple of 7.0 times Enterprise Value to 4.3 times. It was funded by a fully underwritten entitlement offer to raise \$375 million.

### **Governance and culture**

The company has always been focussed on protecting the health and welfare of its people and clients and quickly adapted the working environment for their safety. The Board is a strong supporter of employment diversity and equal opportunity, both for gender and for age. People are the core of the company's business success – the High Potential (HiPo) program identifies talented CTM employees to become the next generation of leaders.

### **Financial performance**

From a total FY20 Revenue of \$349.9 million there was an underlying EBITDA of \$65.0 million. There were a number of one-off expense items related to COVID-19. A modest Statutory Loss of \$8.2 million was recorded. The financial impact of COVID-19 on travel disruptions is evident when this is compared with a Statutory NPAT of \$86.2 million in FY19. The chairman considered that government mandated restrictions to have the worst COVID-19 related risk for the company.

Despite the setbacks from COVID-19, CTM continues to remain in a sound financial position, generating positive net cash flows from operations. Cash is \$92.8 million and Total Equity at \$558.1 million is only a marginal reduction from the previous year. At 30 June it held no interest bearing liabilities, excluding lease liabilities.

A syndicated multi-currency borrowing facility, with a limit of AUD\$179.6 million was implemented. Some excess from the recent capital raising for the acquisition of Travel & Transport will add Balance Sheet flexibility.

The Chairman indicated CTM has a comparative advantage within the industry because:

- Most of its revenue is generated within the domestic market in each country – less affected by disruptions to international travel.
- Because of its concentration on corporate clients, CTM can maximise investment in customer facing technology – less need for 'shop fronts'.

## Summary

(As at FY20)	2020	2019	2018	2017	2016
Revenue (\$m)	349.9	449.5	372.2	325.8	264.8
NPAT (\$m)	-8.2	86.2	77.5	54.6	42.1
EBITDA (\$m)	65.0	150.1	125.4	98.6	69.0
Share price (\$)	9.41	21.86	26.52	22.97	1.53
Dividend (cents)	0	40	36	29	23
TSR (%)	-55.5	-16.4	20.8	67.1	38.1
EPS (cents)	60.11	77.05	72.14	5205	42.8
CEO total remuneration, actual (\$'000)	436.0	543.1	535.2	454.3	490.4

For FY20, the CEO's total actual remuneration was **3.8 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2020 data from the Australian Bureau of Statistics).

## Board Changes

The company has undertaken a Board renewal program which is encouraged by ASA. During FY20 there was the appointment of two Directors and a review of committees. There has been an orderly transition and an ongoing renewal process which has seen the resignation of two directors on the Board since the IPO. Also, unfortunately there was the loss of one long serving director through death. As an entrepreneurial company plans are to add more such skills to the Board. Three directors, Mr Jonathan Brett, Mrs Sophie Mitchell and Mr Ewen Crouch will seek formal election at the AGM in October. There is a majority of independent Directors. There are two Executive Directors, one of whom is the Managing Director and founder of the company. The Board meets ASA standards with 40% female Directors. 'Skin in the game' by Non-Executive Directors of progressively acquiring, within 3 years from appointment, shares of value equal to 100% of base fees is encouraged by the company.

Because of the impact of COVID-19 the CTM Board carried a heavy workload over several months with at least weekly meetings.

<b>Item 2 (a)</b>	<b>Election of Mr Jonathan Brett as a Director</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

Mr Brett was appointed a Director on 31 January, 2020. He brings extensive strategic, board and management experience in areas of finance and corporate advice. His experience includes being CEO of Techway Limited which pioneered internet banking in Australia.

He is currently Executive Chairman of Stridecorp Equity Partners and a non-executive Director of Mobilicom Limited.

In CTM Jonathan Brett is chair of the company's Audit & Risk Committee and a member of the Remuneration & Sustainability Committee and Nomination Committee.

ASA agrees with the election of Mr Brett and votes for this motion.

<b>Item 2 (b)</b>	<b>Re-election of Mrs Sophia (Sophie) Mitchell</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

Mrs Mitchell has been a Director of CTM since 2 September, 2019. She has extensive corporate advising, capital markets and equity research experience.

Other Director positions include non-executive Director of ASX listed Flagship Investments Limited, Chair of Apollo Tourism & Leisure Limited and non-executive Director of Morgans Holding (Australia) Limited.

In CTM Mrs Mitchell is the Chair of the Remuneration & Sustainability Committee and a Member of the Audit & Risk Committee and the Nominations Committee.

ASA agrees with the election of Mrs Mitchell and votes for this motion.

<b>Item 2 (c)</b>	<b>Re-election of Mr Ewen Crouch</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

Mr Ewen Crouch has been a Director and Chair of the Board since 25 March, 2019.

Ewen Crouch was a partner at Allens from 1988 – 2013 and served on the firm's Board including 4 years as Chairman of Partners. Mr Crouch has extensive experience in Mergers & Acquisitions and

Equity Capital Markets. He was a previous Chairman of Mission Australia and a non-executive Director of Westpac Banking Corporation from 2013- 2019.

He is currently a non-executive Director of BlueScope Steel and is a Fellow of the Australian Institute of Company Directors and a Member of its Law Committee and a Director of Jawun.

At CTM he is the Chair of the Nominations Committee and a Member of the Remuneration & Sustainability Committee and the Audit & Risk Committee.

ASA agrees with the election of Mr Crouch and votes for this motion.

<b>Item 3</b>	<b>Approval of the company's Omnibus Incentive Plan</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

Approval is sought for securities issued under the Omnibus Incentive Plan to be excluded from the calculation of the 15% limit of new securities issued under the ASX Listing Rules. With 76% of revenue sourced from overseas Corporate Travel needs flexibility to provide incentive awards to executive management which are linked to shareholder value creation and long term growth sustainability. The design of various incentive schemes need to consider the tax jurisdiction, laws, logistics and compliance costs applying where the management executive resides.

The reasons for this resolution, including conditions and limitations, are well set out in the Explanatory Section of the Notice of Meeting.

ASA will vote for this resolution.

<b>Item 4 (a)</b>	<b>Approval of grant of 125,000 rights to Ms Laura Ruffles under the Company's Omnibus Incentive Plan.</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

Shareholder approval is required to issue equity securities to a director under an employee incentive scheme.

Approval in 4(a) and 4 (b) to grant rights to Ms Ruffles is strongly influenced by her value to the company. In response to the impact of COVID-19 on earnings no short term incentive was awarded to Ms Ruffles in FY20 as financial KPI targets were not met. The Board considers that Ms Ruffles, in her position as Global Chief Operating Officer and Executive Director, is essential to the company's business.

The Chairman indicated to me the very competitive international market in which to recruit, retain and motivate high quality executive management to align with good shareholder outcomes. The approach needs to become less Australian centric.

Given the very significant impact of COVID-19 and the Board's reviewed remuneration arrangements for FY21, this resolution will be supported.

<b>Item 4 (b)</b>	<b>Approval of grant of 62,500 rights to Ms Laura Ruffles under the Company's Omnibus Incentive Plan.</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

This resolution is supported as for Item 4 (b)

### Remuneration

The impact of COVID-19 on FY 20 remuneration was significant. At the beginning of FY20 an STI opportunity represented an average of 60% of fixed remuneration, paid in cash. Also an LTI opportunity structured as Share Appreciation Rights (SARs) awarded in shares and to vest over a 3 year performance period based on EPS goals. (ASA recommends a 4 or more years performance period).

The impact of COVID-19 meant that there was no reward for KMP's under either STI or LTI opportunities for FY20. From March 2020 there was an aggressive downward adjustment in fixed remuneration with a 25% reduction in all executives' and senior leaders' fixed remuneration and a 33% reduction to Non-executive Directors' fees.

In order to balance the various needs with the high level of short-term earnings uncertainty, FY21 will be an interim year until business has recovered. This will mean fixed remuneration returned to contracted levels; FY21 STI being split into the first and second halves, with earning gates for both periods and sensible individual KPI targets; LTI opportunity is being retained as previously.

The FY21 fixed remuneration for the Managing Director will be an unchanged \$436,010.

FY20 Fixed Rem. was \$436,010 and FY19 Fixed Rem. was \$543,104 and STI \$100,000

Non-executive Director base fees are \$122,500 and Chairman \$242,000. \$22,500 for each Committee Chair position. To mitigate the impacts of COVID-19 fees were reduced by 33% for the period 1 April – 31 July, 2020.

Under the unprecedented COVID-19 circumstances we would not oppose the Remuneration Report.

*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.*