



### Flight Centre - flying abroad for growth

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|------------------------------|---|
| <b>Company/ASX Code</b>      | <b>Flight Centre Travel/FLT</b>   |
| <b>AGM date</b>              | <b>7 November 2019</b>  |
| <b>Time and location</b>     | 10am Emporium Hotel Level 1, 267 Grey St South Brisbane                   |
| <b>Registry</b>              | Computershare   |
| <b>Webcast</b>               | No  |
| <b>Poll or show of hands</b> | Poll on all items   |
| <b>Monitor</b>               | Peter McNally   |
| <b>Pre AGM Meeting?</b>      | Yes, with Chair Graham Turner and Global media and IR managers Haydn Long |

Flight Centre Travel Group (FLT) posted \$2.2 billion in sales for financial year 2019 (FY19) with strong results in key overseas markets and great results in the corporate travel sector globally. The company saw subdued growth in revenue (4.5% globally), leading to a decrease in revenue as a percentage of Total Transaction Value (TTV) to 12.9% from 13.4% in FY18. The company's share prices have fallen since the end of FY18 from a high of 63.63 to 41.55 but dividends have increased to 307 cents per share (cps) in FY19 from 167 cps in FY18.

The company is aiming to address the slowdowns in business and revenue by concentrating on other markets that include Europe, the Middle East and Africa, New Zealand and Asian markets that include India, China, Singapore and Malaysia. FLT also acquired full ownership of Les Voyages Laurier du Vallon (LDV), a Canada-based corporate and premium leisure business that FLT had secured a 75% interest in during FY17. FLT made a number of smaller acquisitions which enhanced FLT's global corporate footprint and capabilities.

FLT invested significantly in technology and systems to strengthen the company's IT backbone while also increasing cost efficiency as it saw more overall transactions coupled with lowered staff expenses.

## Summary

| (As at FYE)                          | 2019  | 2018  | 2017  | 2016  | 2015  |
|--------------------------------------|-------|-------|-------|-------|-------|
| NPAT (\$m)                           | 264.2 | 264.8 | 230.8 | 244.6 | 256.6 |
| UPAT (\$m)                           | 299.3 | 285.4 | 234.8 | 269.2 | 256.6 |
| Share price (\$)                     | 41.55 | 63.63 | 38.30 | 31.58 | 34.11 |
| Dividend (cents)                     | 307   | 167   | 139   | 152   | 152   |
| TSR (%)                              | -30.1 | 71.5  | 26.3  | -3.0  | -19.8 |
| EPS (cents)                          | 261.6 | 260.5 | 228.5 | 242.4 | 254.7 |
| CEO total remuneration, actual (\$m) | 0.760 | 1.4   | 0.64  | 0.68  | 0.66  |

For 2019, the CEO's total actual remuneration was 8.6 times the Australian Full time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics).

Note - For May 2019, the Full-time adult average weekly total earnings (annualised) was \$88,145 (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>, "Full-time adult average weekly total earnings", Trend(a)).

|                 |                                |
|-----------------|--------------------------------|
| <b>Item 1</b>   | <b>Re-election of Director</b> |
| <b>ASA Vote</b> | For                            |

### Summary of ASA Position

Mr Gary Smith by rotation is standing for re-election as a non- executive director (NED).

He was first elected in 2007. He became Chair in 2014. Accepting he now continues as a director for the 3-year term he will then have been a director for 15 years and the Chair for 8 years. Under ASA guidelines he is no longer considered to be an independent director on the board but we will support his re-election and look forward to board renewal. Mr Smith is also a NED for Michael Hill International and was appointed to the board of the NRMA (National Roads and Motorists' Association) in early 2019.

His annual remuneration is \$250,000.00. His shareholding value is \$300,000.00.

While the FLT board lacks adequate female representation, three out of their five board members can be classified as independent. Colette Garnsey is the only female board member, bringing the total female representation to 20%. The group states people and diversity issues are key focus areas, and it is working to strengthen diversity and inclusion programs. The company expects Board composition to change in the near-term, and subject to a suitable candidate being available, anticipates that an additional female Board member will be appointed, either as part of a board expansion or skills replenishment program.

|                 |                            |
|-----------------|----------------------------|
| <b>Item 2</b>   | <b>Remuneration report</b> |
| <b>ASA Vote</b> | <b>For</b>                 |

### Summary of ASA position

FLT applies a non-standard remuneration model that deviates in structure against more traditional remuneration models that other companies offer. As FLT is dependent on Sales, all front-line sales staff receive bonuses related to sales performance and consequent company earnings.

Instead of long-term incentives (LTIs), FLT uses a Long-Term Retention Program (LTRP) for employees. For some key executives, the LTRP operates alongside the company's business ownership scheme (BOS) to serve as an LTI. The LTRP builds executive ownership in the company while participating in the BOS claims to offer executives an extra long-term incentive to grow the individual business units they run within the overarching FLT umbrella. The ASA has previously been of the position that FLT's BOS and BOS Multiplier schemes taken together are akin to any other company's LTI schemes.

In terms of short-term incentives (STIs), executives and key management personnel (KMP) are targeted to earn STIs as part of their remuneration packages. If certain the KMP meet certain key performance indicators (KPIs) that are part of their remuneration arrangement, they will be enabled to earn their targeted remuneration. If they exceed these KPIs, they qualify for a stretch STI. The remuneration report has not clearly defined the quantifiable hurdles and KPIs against which STI rewards can be earned. Owing to the size and complexity of the business, it is understood that FLT cannot present STI KPIs for every employee as structure and responsibilities might differ considerably with each role. However, the ASA would prefer if KPIs relating to KMP are presented clearly in the remuneration report making it easier for shareholders to assess how they are being met. The ASA also notes that while statutory pay is indicated clearly, there is no specific information on take home payments as well as the maximum opportunity caps that are applied to LTIs and STIs that FLT offers. While the Company has indicated that it takes efforts to cap salaries, it would be useful for shareholders to be able to actually assess the caps and reasonably understand how the company works.

At the time of the 2018 Annual Meeting, it was finalising an Enterprise Bargaining Agreement for all staff. It resolved objections with dissatisfied employees and, now, has presented a remuneration structure tailored to key management personnel and other staff. The objective is to encourage experienced employees to remain with the company.

Incentives extend far beyond other industries:-

- Additional relaxation and travel leave
- Flexible hours to balance work and life
- Paid natural disaster leave
- Bereavement and compassionate leave
- Domestic violence leave
- A Giving Bank allowing team members to contribute unused personal leave to those who may need it more.

The company sets internal targets for KMP. In 2019, where goals were not achieved, STI's were not earned. Internal targets are not publicly disclosed.

The business ownership scheme (BOS) is a program to ensure leaders remain long-term. It extends to all the countries in which employees work.

As a company dependant on sales, overall strong growth proves the remuneration arrangement is successful.

The CEO's fixed remuneration for FY19 was \$675,000 with a targeted remuneration of \$750,000. The remuneration report indicates that the CEO did not earn any STIs as a result of failing to meet the target KPIs set for him. This effectively capped his remuneration for the year at \$675,000. FLT indicates that if the CEO had achieved 100% growth, effective remuneration could be over \$2,250,000 but under \$2,500,000. A similar goal is set for the COO and CFO. Long term incentives come under the BOS with the barrier extending from 5 to 15 years.

As there is no significant change from the previous year's remuneration report which the ASA voted in favour of, the ASA will vote for this resolution. We would also like to indicate that there is more clarity expected from the organisation in the presentation of the remuneration report and would be willing to engage with the company to ensure that we can come to a reasonable arrangement that provides the ASA with the desired transparency we look for in such arrangements.

The individual(s) (or their associates) involved in the preparation of this voting intention has a shareholding in this company.

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