

An aerial view of an airplane wing against a sunset sky. The sun is low on the horizon, casting a warm orange and yellow glow. The wing is in the foreground, and the horizon line is visible in the distance. A red and black graphic element is on the left side of the image.

# Travelex Results Presentation

for the quarter ended 31 March 2019

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# Section 1: Key Highlights

# Three months ended 31 March 2019 – key highlights

## Financial and Operational Highlights

- Core Group Revenue (excl. disposed operation) up 3% to £174.5m, at constant exchange rate (CER)
- Core Group EBITDA (excl. disposed operation) £1.5m ahead of prior year at £2.9m (CER)
- Revenue growth at CER driven by ME&T (up 14%), UK & Africa (8%), and NAM (1%)
- As a result of a Group legal restructure, Travelex became a subsidiary of Finabl, with the parent company listing on the London Stock Exchange on 15 May 2019.

## Financial Summary (excl. disposed operation)

<i>£m, three months ended 31 March</i>	2018	2019	Change	2019 CER <sup>2</sup>	Change
Core Group Revenue <sup>1,4</sup>	169.5	174.5	3%	174.5	3%
Core Group EBITDA <sup>1,3,4</sup>	1.4	2.5	1.1	2.9	1.5

	31 Dec 2018	31 Mar 2019
<b>Net debt</b> <i>£m</i>		
<b>Gross debt</b>	(342.2)	(354.3)
Free cash	87.6	85.7
<b>Net debt</b>	<b>(254.6)</b>	<b>(268.6)</b>

1. Core Group metrics include 100% of Revenue and EBITDA from Joint Ventures and Travelex's French business which was sold to UAE Exchange Limited, a company of which Dr Shetty is also a shareholder. The French business remains in the Core Group results for management discussion and analysis purposes but is excluded from the Group's statutory results

2. Results at constant exchange rates (CER) are Core Group metrics retranslated at the average rates for the equivalent period in 2018

3. EBITDA is presented before exceptional items and non-underlying adjustments

4. Core Group excluding disposed operation metrics exclude the results of Travelex Africa Foreign Exchange Proprietary Limited which was disposed of on 1 January 2019

## Section 2: Financial Performance

# Group Revenue and EBITDA Summary for three months ended 31 March 2019

£m, three months ended 31 March

**Core Group Revenue (excl. disposed operation) <sup>1,4</sup>**

Trading EBITDA contribution

Central & Shared Costs (excl. Bonus)

Bonus

**Core Group EBITDA (excl. disposed operation) <sup>1,3,4</sup>**

Disposals (FX Africa)

**Core Group EBITDA (incl. disposed operation) <sup>1,3</sup>**

Q1 2019				
2018	2019	Var	2019 CER <sup>2</sup>	Var
169.5	174.5	3%	174.5	3%
14.5	16.5	2.0	16.9	2.4
(12.5)	(13.4)	(0.9)	(13.4)	(0.9)
(0.6)	(0.6)	-	(0.6)	-
1.4	2.5	1.1	2.9	1.5
(0.2)	-	0.2	-	0.2
1.2	2.5	1.3	2.9	1.7

1. Core Group metrics include 100% of Revenue and EBITDA from Joint Ventures and Travelex's French business which was sold to UAE Exchange Limited, a company of which Dr Shetty is also a shareholder. The French business remains in the Core Group results for management discussion and analysis purposes but is excluded from the Group's statutory results

2. Results at CER are Core Group metrics retranslated at the average rates for the equivalent period in 2018

3. EBITDA is presented before exceptional items and non-underlying adjustments

4. Core Group excluding disposed operation metrics exclude the results of Travelex Africa Foreign Exchange Proprietary Limited which was disposed of on 1 January 2019

## Three months ended 31 March 2019 – revenue performance by Trading Area

£m, three months ended 31 March

	2018	2019	Change %	2019 CER	Change %
UK & Africa	55.9	60.6	8%	60.2	8%
ANZ	22.4	21.1	(6%)	21.6	(4%)
ME&T	16.2	18.1	12%	18.4	14%
Europe	24.6	24.2	(2%)	24.6	0%
NAM	16.8	18.1	8%	17.0	1%
Brazil	14.4	12.7	(12%)	13.8	(4%)
Asia	19.2	19.7	3%	18.9	(2%)
<b>Core Group Revenue</b>	<b>169.5</b>	<b>174.5</b>	<b>3%</b>	<b>174.5</b>	<b>3%</b>

Core Group Revenue increased 3% on prior year (up 3% to £174.5m CER) driven by:

- UK & Africa – 8% growth (8% CER growth) – growth in Africa with increase in banknote supply and bureau de change activity; an improvement across Supermarkets, and UK Retail FX walk-up, partially offset by lower demand from UK outsourcing clients
- ANZ – 6% decline (4% CER decline) – driven by softer retail performance
- ME&T – 12% growth (14% CER growth) – strong trading across UAE and Turkey
- Europe – 2% decline (flat at CER) – driven by new airport contracts in Germany which has been offset by softer trading in France due to the impact of civil disturbances
- NAM – 8% growth (1% CER growth) – driven by retail optimisation initiatives
- Brazil – 12% decline (4% CER decline) – weaker BRL:USD rates drove lower volumes across the business
- Asia – 3% growth (2% CER decline) – lower volumes at Hong Kong airport from reduced footprint is partially offset by growth of banknote supply through vault assets purchased in late-2018. Excluding the impact of the Hong Kong contract terms change, Asia grew at 3% CER

## Free cash flow statement (attributable operations)

Free cash flow from attributable operations		Commentary	
<i>£m, three months ended 31 March</i>	<b>2018</b>	<b>2019</b>	<b>Net free cash inflow from attributable operations:</b>
Core Group EBITDA	1.2	2.5	• Dividend paid to non-controlling interest principally related to ME&T operations
Less: Unconsolidated JVs and disposal of France	(0.4)	(1.6)	• Utilisation of provisions and bonus accruals includes £0.4m related to onerous contracts and £0.4m employee related provisions
Dividends paid to non-controlling interest	(1.8)	(1.6)	• The outflow in cash inventory is mainly due to trading requirements
Utilisation of provisions and bonus accruals	(2.2)	(1.4)	• Other movements in working capital primarily relate to wholesale banknote orders, which are generally settled within 1-2 days of order completion
<b>Net free cash flow from attributable operating activities (before inventory &amp; working capital)</b>	<b>(3.2)</b>	<b>(2.1)</b>	<b>One off items:</b>
Movements in cash inventory (cash in tills & vaults)	(43.3)	(7.1)	• One-off items include non-underlying costs relating primarily due to a UK vault relocation and major project costs
Other movements in working capital	30.5	(4.6)	
<b>Cash impact of movements in inventory &amp; working capital</b>	<b>(12.8)</b>	<b>(11.7)</b>	
<b>Net free cash outflow from one-off items</b>	<b>(4.6)</b>	<b>(0.9)</b>	
<b>Net free cash flow from attributable operations</b>	<b>(20.6)</b>	<b>(14.7)</b>	



# Free cash flow statement (investing and financing)

Free cash flow from investing and financing activities			Commentary
<i>£m, three months ended 31 March</i>	<b>2018</b>	<b>2019</b>	
Net free cash flow from attributable operations	(20.6)	(14.7)	<b>Investing activities:</b> <ul style="list-style-type: none"> <li>Expansionary &amp; Maintenance capex includes c.£1.0m relating to:                             <ul style="list-style-type: none"> <li>Financial Crime Programme to further implement the new anti-money laundering (AML) solution to ensure smart and cost effective AML operations and a positive customer experience</li> <li>Rollout of replacement ledger in selected countries</li> </ul> </li> <li>Other net investing activities primarily relate to the sale and purchase of Brazil government bonds which are held for short periods and cash disposed as part of a subsidiary disposal</li> </ul>
Taxation paid	(2.0)	(4.2)	
Expansionary & Maintenance capex	(6.1)	(3.5)	
Other net investing activities	0.5	(0.7)	
<b>Net free cash used in investing activities</b>	<b>(5.6)</b>	<b>(4.2)</b>	
Interest paid on secured bonds, RCF and other bank loans	(0.7)	(1.5)	<b>Financing Activities:</b> <ul style="list-style-type: none"> <li>Travelex continues to benefit from shareholder support with strategic investment in the digital payments platform</li> </ul>
Loan from shareholder	-	5.9	
Investment in Payments Platform	-	(4.7)	
Drawdown of RCF and utilisation of overdraft	39.6	25.0	
<b>Net free cash used in financing activities</b>	<b>38.9</b>	<b>24.7</b>	
Exchange loss on free cash	(3.2)	(3.5)	
<b>Net (decrease)/increase in free cash</b>	<b>7.5</b>	<b>(1.9)</b>	
Free cash at the beginning of the period	76.3	87.6	
<b>Free cash at the end of the period</b>	<b>83.8</b>	<b>85.7</b>	

## Free cash, net debt & liquidity

Free cash <i>£m</i>	31 Dec 2018	31 Mar 2019
Cash and cash equivalents	550.2	568.8
Ring-fenced cash and term deposits	(41.1)	(39.4)
Bank loans and overdraft	(7.8)	(8.6)
Prepaid debit card floats	(185.6)	(176.5)
Banknotes prepayments	(40.4)	(65.4)
Net cash classified as held for sale	1.3	-
<b>Unrestricted cash</b>	<b>276.6</b>	<b>278.9</b>
Cash in tills, vaults and transit	(174.0)	(178.2)
Management estimate of regulatory cash	(15.0)	(15.0)
<b>Free cash</b>	<b>87.6</b>	<b>85.7</b>

Net debt <i>£m</i>	31 Dec 2018	31 Mar 2019
Fixed rate senior notes	(317.2)	(304.3)
Drawn RCF and utilised overdraft	(25.0)	(50.0)
<b>Gross debt</b>	<b>(342.2)</b>	<b>(354.3)</b>
Free cash	87.6	85.7
<b>Net debt</b>	<b>(254.6)</b>	<b>(268.6)</b>

### Commentary

- Cash and cash equivalents includes restricted amounts such as banknote prepayments and prepaid debit card float balances
- Free cash adjusts unrestricted cash for amounts being used as working capital (cash in tills, vaults and transit) and a consistent management estimate of cash required locally for regulatory purposes
- Revolving credit facility used to provide liquidity to meet operating cash needs. As at 31 March 2019, the facility had £50.0m drawn down, and £12.9m had been utilised as guarantees.

# Section 3: Conclusions

# Section 4: Further Information

# Reconciliation from Core Group to Statutory (Revenue & EBITDA)

## Reconciliation to Statutory Revenue<sup>1</sup>

£m, three months ended 31 March

	2018	2019
<b>Core Group Revenue</b>	<b>171.2</b>	<b>174.5</b>
Joint Venture adjustment for equity accounting	(5.6)	(6.0)
Travellers' Cheques	0.5	0.4
French business ownership adjustment	(10.0)	(9.5)
Revenue within Central & Shared Costs	0.3	-
<b>Statutory Revenue</b>	<b>156.4</b>	<b>159.4</b>

## Reconciliation to Statutory and Adjusted EBITDA<sup>1</sup>

<b>Underlying EBITDA</b> (per the consolidated financial statements)	<b>1.1</b>	<b>25.9</b>
Joint Venture adjustment for equity accounting <sup>2</sup>	1.5	1.6
French business ownership adjustment	(1.1)	-
IFRS 16 adjustments	-	(24.8)
Travellers' Cheques	(0.3)	(0.2)
<b>Core Group EBITDA (100% of JVs and France)<sup>3</sup></b>	<b>1.2</b>	<b>2.5</b>
Adjustment for proportion of Non-Consolidated JVs	(0.7)	(0.8)
French business ownership adjustment	1.1	-
<b>Adjusted EBITDA<sup>4</sup></b>	<b>1.6</b>	<b>1.7</b>

<sup>1</sup> Historical FX rates used are actual average rates for each period

<sup>2</sup> Net of recharges

<sup>3</sup> Core Group EBITDA consists of EBITDA adjusted to include 100% of the EBITDA of our joint ventures, share-based payment incentive charges, and Banque Travelex SAS which was disposed of in 2015 but is continued to be managed by the Group, and excludes EBITDA attributable to our Travellers' Cheques business, which does not form part of the Restricted Group.

<sup>4</sup> Adjusted EBITDA consists of Core Group EBITDA adjusted for the share of non-consolidated joint ventures that are not attributable to the Group and excludes the EBITDA of Banque Travelex SAS, which was disposed of in January 2015 to UAE Exchange Limited in connection with the sale of the Group.

# Reconciliation of Free Cash flow to Statutory measure

## Reconciliation of free cash flow from attributable operations to applicable statutory measure

£m, three months ended 31 March

	2018	2019
<b>Net free cash flow from attributable operations</b>	<b>(20.6)</b>	<b>(14.7)</b>
Cash outflow relating to investment in Payments Platform*	-	(1.4)
Dividends paid to non-controlling interest	1.8	1.6
Movement in cash held in tills, vaults and transit	43.3	7.1
Movement in banknotes prepayments	(32.1)	25.0
Movement in cash and deposits held for the Travellers' Cheques business	0.7	(1.6)
Movement in prepaid card float deposits	(6.6)	(4.2)
Movement in the capital element of finance lease payments (IFRS 16)	-	24.6
<b>Cash flow from operating activities (statutory measure)</b>	<b>(13.5)</b>	<b>36.4</b>

\*Presented as financing activities for management purposes

# FX Rate Summary

	Average FX rate for the period 31 March 2018	Average FX rate for the period 31 March 2019	% Movement	FX rate as at 31 December 2018	FX rate as at 31 March 2019	% Movement
EUR	1.14	1.16	2%	1.11	1.16	5%
USD	1.40	1.32	(6%)	1.27	1.30	2%
JPY	150.47	145.12	(4%)	139.55	144.22	3%
AUD	1.78	1.83	3%	1.81	1.83	1%
BRL	4.55	4.95	9%	4.94	5.07	3%
TRY	5.38	7.09	32%	6.76	7.36	9%